Daily Report

East Europe

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FBIS-EEU-95-060 *29 March 1995*

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NOTICE TO READERS: This volume contains a representative selection of material previously disseminated in softcopy format.

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Romanian President Meets Berisha, Meksi

AU2803164395 Tirana TVSH Television Network in Albanian 1800 GMT 27 Mar 95

[FBIS Translated Excerpt] Romanian President Ion Iliescu began his program today by holding an official meeting with Albanian President Sali Berisha at the presidency.

Your visit marks an important event in the development of traditional and friendly relations and cooperation between Albania and Romania, President Berisha told Romanian President Iliescu at the meeting.

Both countries are looking forward to a new future that brings forth important cooperation with bilateral interest for the Balkan region as well.

The President's Press and Information Office reports that both presidents stressed that our two countries have a very rich historical legacy of friendly relations. All possibilities exist nowadays to expand and boost this cooperation further in all political, economic, educational, cultural, security, and military fields.

Both presidents assessed that both our countries are interested in regional integration. In this framework, they stressed the need to make efforts to accomplish major regional undertakings, such as road and railway lines, relations between energy and telecommunications systems, etc., and projects that will be financially supported by European and international institutions. This will serve to develop a rapid integration of infrastructure, which is so necessary for our region.

The meeting also focused on other problems of bilateral interest, such as creating facilities for the circulation of citizens of both countries, expanding cooperation in the sector of transportation, encouraging the activity of Romanian businessmen in Albania, and taking the Romanian experience in being integrated into European and international structures.

After expressing their concern over the situation in the Balkans, Presidents Berisha and Iliescu assessed that regional initiatives directly contribute to increasing confidence and understanding as well as cooperation among the Balkan countries.

President Berisha stressed the need for reactivating the conference of Balkan foreign ministers, something that was supported by the Romanian president.

President Iliescu supported the conference of the chairmen of the Black Sea Initiative member states to be held in Bucharest in June this year and President Berisha supported participation in this meeting as well.

Regarding the issue of Kosova, President Berisha said that it may be possible that Serbia will recognize Bosnia and Croatia under international pressure. This is an act welcomed by all regional countries. Alongside this positive development, there exists another distressing development, that of not finding an acceptable solution to the Kosova issue, a problem that is inseparably related to reducing tension and fostering stability in our turbulent region.

For his part, Romanian President Iliescu assessed the treatment of Romanies living in Albania in a contemporary and European spirit, who, as he himself said, enjoy all rights and freedoms.

Presidents Berisha and Iliescu expressed their pleasure at signing an economic and trade agreement and the protocol of cooperation in education. They exchanged the instruments of ratification of the friendship, cooperation, and neighborliness treaty at the presidency seat in Tirana today, and assessed it to be a powerful and concrete support in an active cooperation between our two countries. [passage omitted]

Talks later continued in a meeting held with People's Assembly Presidency Chairman Pjeter Arbnori at the Palace of Congresses in Tirana.

After giving a detailed briefing about the current democratic reality in Albania, Arbnori spoke about the difficulties and the great work done by our parliament.

Regarding problems and issues of foreign relations, Mr. Arbnori stressed that Albania favors dialogue. We will protect the human and national rights of Albanians who live in territories beyond the state border, Arbnori went on to say, pointing out the friendship with Romania and the joy he felt upon meeting representatives of the Albanian community in Romania. They were cultured and active in the democratic processes there, he said.

After thanking for the warm reception, President Iliescu pointed out the historic relations between our two countries—Thracians and Illyrians, ancient residents in the Balkans, who entered into relations with Greeks and the Roman Empire. We know how to coexist. Others made the Balkans a powder keg, Iliescu continued.

Iliescu pointed out that the rights of Albanians in Kosova and elsewhere should be solved through political and not military means. Iliescu also spoke about the course of democracy in Romania, in which the change in the mentality of people in a new context was the most complicated. Just like Albania, we are interested in being integrated into European institutions, Iliescu said.

After thanking for the gifts, Iliescu said that he knew the great value of our folk art since 1947.

People's Assembly Deputy Chairmen Tomor Malasi and Shaqir Vukaj, a group of deputies, and the ambassadors of our two countries were present at the meeting. [passage omitted]

Romanian President Ion Iliescu and the delegation he leads were received by Prime Minister Aleksander Meksi this afternoon. Minister of Energy and Mineral Resources Abdyl Xhaja, Education Minister Xhezair Teliti, and State Secretary for Foreign Economic Relations Selim Belortaja were also present at the meeting.

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After a briefing on economic developments and the privatization processes in both countries, Iliescu and Meksi stressed that it is high time that cooperation between Albania and Romania embarks on new roads and possibilities. They supported the need to establish a joint program for this goal at a regional level as well, in order to profit from the contribution of European cooperation and other international financial institutions.

Meksi and Iliescu underlined the need for these funds be used to construct infrastructure in the Balkans, and particularly to establish direct communications via the Bucharest-Sofia-Skopje-Tirana axis.

Prime Minister Meksi also spoke about the efforts of the government and the solution to the debt issue. Meksi put forward the idea of cooperating with Romania, especially in the field of energy and the construction of roads and railways, in the banking field, and the creation of joint ventures.

Regarding the political aspect, they urged the need for a dual contribution to peace and stability in the region.

Meksi thanked for the Romanian assistance in the field of education, which will be increased this year. He also suggested to establish cooperation in culture and art.

They also spoke about an official visit of Prime Minister Meksi to Bucharest, which may be realized by the middle of this year. [passage omitted]

Pashko Sees 'Illusory Progress' in Economy

AU2903104395 Tirana KOHA JONE in Albanian 26 Mar 95 p 5

[Article by Gramoz Pashko, parliamentary deputy of the Democratic Alliance: "Is There Real Growth in the Albanian Economy?"]

[FBIS Translated Text] We are in the course of discussing the budget, a nation's most important economic event. The most pertinent question is what has happened in the Albanian economy in the last year. Has it really succeeded, or has it failed? Is its growth genuine or illusory? In one of my recent lectures about the Albanian economy, I have described its progress as characterized by "pathological gradualism." I have also used the same term in some of my interviews in the Albanian press. Students of the economies of Europe's postcommunist countries and many friends and people interested in Albania ask me what I mean by the phrase.

After a dramatic collapse in 1990-92, it is said that the Albanian economy has been characterized by extremely rapid growth. Gross domestic production grew by 11 percent in 1993 and 8 percent in 1994. Figures are also cited to show that employment grew by about 100,000 jobs in 1993 and 114,000 in 1994. These are indeed achievements, and looking at these figures in isolation would oblige us to be superoptimistic and lead us to the conclusion that the Albanian economy has not only stabilized but has achieved a miracle. On the basis of these figures, people who are more enthusiastic than myself, particularly government ministers, have announced to foreign journalists that Albania is following the example of Taiwan (!?), and that carping critics are merely envious. The truth is that we need the economic growth to be real.

When one analyzes the figures and goes further to talk to Albanian businessmen, traders, and industrialists, one acquires a different impression. The internal significance of the figures and what almost all Albanian businessmen say leaves no room for optimism. Businessmen say that they have no chance to invest; that profit margins are falling; that the banking system is nonexistent and is not only without initiative, but, worse, not secure. We are thus faced with a paradox: economic growth but no opportunities for business to flourish; wealth creation but no opportunity to invest money.

Although it may seem economic on the surface, this paradox is ultimately political. It is political, because it is connected with the stability of the government and its determination to intervene, to regulate, or at least not to upset the apple cart. However, the role of the state has still not been defined in this transitional phase of the economy. We have still not decided whether we need a state that will encourage economic growth and employment, or a state that will pacify people and alleviate their grievances; a state that will favor employers, or one that will sustain the destitute with handouts and assist employees; a state that will favor people who confront risk, or one that will subsidize loss-making enterprises. Worse, do we need a state to suit the trade unions at the expense of businessmen? I do not think that today's government has given a clear reply to this dilemma or attempted to resolve it. It is still not clearly understood that, if it is a government of employers, it must change the tax system, and encourage and favor free competition; if it is a government of employees, it should behave as it is doing, supporting home-produced cement, cigarettes, and glass of low quality and with high production costs. If it is a government of employees, let it go on involving itself in charity and dispensing aid and welfare, but in this case there is no way it can pretend to be "anticommunist." There is an essential distinction between a government of employers and one of employees. The first must be a government of "capitalists," the second of "workers." Where Albania's future lies does not require much discussion. Unfortunately, the Meksi government is neither one nor the other—neither chalk nor cheese.

What I have said may seem mere words but they are words backed up by figures.

It is said that the Albanian economy grew by 8 percent in 1994. At the same time, there was a growth of 2.5 percent in the balance of payments deficit. The Albanian economy exports a mere 41 percent of what it exported in 1989 ($302 million in 1989 and $124 million in 1994). Worse, Albania imports 62 percent more than it did in 1989 ($385 million in 1989 and $626 million in 1994). Let us dwell on these

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figures for a while. The Albanians taken together consume imported goods (not counting foreign aid and contraband) to a value of $501 million more than they export. It is interesting to calculate that the real growth in value of domestic production in 1994 is about $78 million; i.e., we have tended to consume more foreign products, and economic growth and additional income of all kinds has been dedicated to purchases abroad.

Setting to one side the foreign debt, whether new or old, let us deal with the real debt created every day by the consumption of imports. At a time when no foreign bank gives credit to Albania, the Albanians have at their disposal, or at least spend, $501 million on foreign goods, from citrus fruits, cucumbers, and cement to automobiles, refrigerators, and television sets. What then does Albania produce? It seems to me nothing. In Albania, as if on a "permanent holiday" [preceding two words in English], we help ourselves to foreign beer, foreign cigarettes, foreign fuel, and foreign clothes, and all these things are bought with foreign money, or at least the money earned by the labor of those working outside Albania. However, do we ever think that perhaps one day this money will not enter Albania? The refugees will no longer send money to their families, because they will want to make lives for themselves out there where they are; the embargo will come to an end, and so will foreign aid. The Albanians of today, accustomed to consuming $500 million of imports, will find themselves without this money and without the ability to import beer, cigarettes, washing powder, automobiles, and fuel. If the government is not thinking of this, who is?

Moreover, the Albanian economy is making illusory progress in another direction, that of wealth creation, because of its budget deficit, or, in other words, its internal debt. A deficit of 32 billion leks is forecast for this year, or 7.5 percent of gross domestic product. No doubt the government is obliged to spend money on defense, pensions, the National Intelligence Service and so forth. However this is a debt that the state takes from its own citizens. The state is now giving its citizens more money than it has at its disposal, more money than it really should have. If a debt of this kind is allowable under abnormal conditions, it is catastrophic under normal, stable circumstances. It means that 10 out of every 133 leks spent in Albania are valueless, or, rather, are the debt of the present government passed on to the next. Put somewhat cynically, it means that every Albanian who spends 133 leks is putting his own children 10 leks into debt.

If one combines the balance of payments deficit with the internal debt, one is soon persuaded that the Albanian economy consumes without producing. Today's prosperity is nothing but the prosperity of kiosks and street traders. Nevertheless, plenty of cash has poured into Albania, and is still arriving. The state has not known how to put it to work, and has unfortunately not even allowed private enterprise to do this. Meanwhile, Albanian businessmen err when they look to the state for help. They chase after ministers, government officials, and those in power in order to ask for support. In fact, they should understand one very simple thing, the most simple principle of the market economy. The state should only be asked not to stand in the way, not to discriminate, and not to spoil things, but just to allow competition to develop freely. The absence of banks and the failure to solve the property question are no doubt hampering genuine trade and business in Albania, but greater obstacles are being raised by the interference of the state with its discrimination, arbitrariness, and secrecy. In reality, these three words can be summed up in one: contraband. Contraband flourishes when the state discriminates and gives privileges to one person at the expense of another. It flourishes when an ordinary pen pusher decides the fate of goods worth several million dollars and when businessmen are imprisoned until they pay overdue excise duties. Contraband flourishes when a state gives privileges, and openly or secretly exempts one taxpayer at the expense of another.

Although some people hope that these problems might be solved by a government reshuffle or by changing the government as a whole, I am firmly against such remedies. The woes of the Albanian economy can only be solved when we all realize that the state is nothing but the will of its citizens, when we understand why we should pay taxes, and why we should not leave the administration of what we provide for our common needs in the hands of nonentities and thieves. If solutions so far have been hybrid, this means that we are suffering from a disease called pathological gradualism.

PBSD Reorganizes, Favors Alliance With Government

AU2803112995 Tirana TVSH Television Network in Albanian 1800 GMT 27 Mar 95

[FBIS Translated Text] Created only two months ago, the Social Democratic Union Party [PBSD] is completely reorganizating its branches and sections with those who have left the Social Democratic Party [PSD], as well as with new members.

Two conferences were organized in Elbasan and Tirana recently.

Some 200 delegates participated in the conference in Tirana. The report given by Arian Starova and extensive discussions underlined that the PBSD finds wide support in Tirana, not only from former PSD members but also from many other intellectuals.

The PBSD favors an alliance with the government and other parties, convinced that it will contribute to the improvement of democratic processes and the normal functioning of institutions.

The conference elected its steering council made up of 71 members and the presidency. Mr. Osman Lika, geophysics engineer, was elected chairman.

Teodor Laco took part in the conference and spoke on behalf of the party organizational commission.

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Coalition Leaders Refuse To Dine With President

AU2903123695 Prague RUDE PRAVO in Czech 23 Mar 95 p 1

["RUDE PRAVO own report": "The Coalition Refused a Dinner With Havel"]

[FBIS Translated Text] On 22 March, the heads of all four coalition parties turned down President Vaclav Havel's invitation to a joint dinner at Prague Castle on Thursday. Instead, they have come to see the head of the state individually during the day.

The meetings obviously sprang from Havel's efforts to relax the tension within the coalition that was brought about by the inquiry into the ODA debt to the Kreditni a Prumyslova (KPB) bank. At the time that RUDE PRAVO had already obtained the information that the coalition had called off its participation at the dinner, the Chancellery of the President was still confirming the event. As RUDE PRAVO managed to learn, the coalition heads do not consider it necessary at this time to meet jointly with the president. According to the RUDE PRAVO information, the government parties apparently did not want to attribute a political role to the president in settling the coalition conflicts. President Havel dined on 22 March]with Prime Minister Vaclav Klaus in the government Kramar's villa within the framework of the regular working meetings.

According to the CTK, the president refused to comment on the talks. "For the time being, I would prefer not to discuss it. After consulting with the prime minister, I might comment on it tomorrow," he said. According to the spokesman Ladislav Spacek, Vaclav Havel concentrated in the talks with the coalition parties chairmen on the domestic political situation and the circumstances within the coalition. According to Spacek, the president may still comment on the present situation in the coalition before his departure for the Pacific on 25 March.

Klaus admitted before the dinner that he will also discuss with the head of the state the situation in the coalition and around ODA. He described the meeting with Havel as a regular friendly dinner, during which both sides will talk about matters that interest them.

The chairmen, Vaclav Klaus (Civic Democratic Party), Jan Kalvoda (Civic Democratic Alliance), Josef Lux (Christian Democratic Union-Czechoslovak People's Party), and Ivan Pilip (Christian Democratic Party) conducted joint political talks unreported already during the Wednesday government session. RUDE PRAVO learned this from reliable sources. The main topic of these talks is supposed to have been the situation within the government coalition. According to our sources, the result of the meeting is that, for the time being, the coalition remains because the Civic Democratic Alliance must wait for the decision of its central assembly. The chairmen agreed to meet again before the end of March.

Kalvoda confirmed to RUDE PRAVO that he is meeting with Havel for the third time within a single week. Last week, according to our sources, the president hinted during confidential meetings with the People's party and the Civic Democratic Alliance that he would publicly condemn their possible withdrawal from the coalition.

The last meeting between the coalition four and the president took place on 14 June.

Havel Cancels Dinner

AU2903125895 Prague HOSPODARSKE NOVINY in Czech 24 Mar 95 p 3

[Report by "jip, ctk": "The President Called Off the Dinner With the Government Coalition"]

[FBIS Translated Excerpt] Prague/Brno—President Vaclav Havel's dinner with the chairmen of the coalition parties, which, according to information from the Chancellery of the President was to take place yesterday, was canceled. According to the statement of the Chancellery of the President, Vaclav Havel called it off. Vaclav Klaus, prime minister and Civic Democratic Party chairman, said that it was a result of the "mutual agreement of all parties"—that is, the coalition and the president. Jan Kalvoda, deputy prime minister and Civic Democratic Alliance chairman, confirmed to our paper yesterday that he was asked on 22 March by the president whether he would meet with him individually just like with the chairmen of the other coalition parties. Kalvoda also emphasized that no general or permanent disinclination exists toard joint meetings. The president mentioned a meeting of all five officials after his return from the Pacific, Kalvoda said. [passage omitted]

Klaus on Talks With Unions, Party Merger

LD2803195395 Prague Radiozurnal Radio Network in Czech 1600 GMT 28 Mar 95

[Interview with Czech Prime Minister Vaclav Klaus by Lucie Weissova on 28 March; place not given]

[FBIS Translated Excerpt] [Weissova] Mr. Prime Minister, on Saturday trade unionists held a meeting at Old Town Square. Before the meeting, you held talks with Mr. Falbr and offered to meet the unions halfway if the meeting was canceled. It did not happen and I would therefore like to ask you about the fate of the Tripartite.

[Klaus] Nothing new and nothing shattering will happen. After all, a project dealing with the slight redefinition of the Tripartite, the change of its content, its objectives and its participants is already under way, and I think this work is continuing and some consensus has to be found. I am not a man who, after a single action, would change forever his willingness to negotiate in a normal decent way.

[Weissova] So you are continuing in your talks with the trade unions.

[Klaus] Well I do not think we live on different planets. On the other hand, it is clear that every unorthodox

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action makes me close the door slightly and everybody should be aware of it. [passage omitted]

[Weissova] Minister Dlouhy told the weekly TYDEN that the existence of two civic parties in the Czech Republic is a long-term problem. He obviously meant that two similar parties would try to preserve their identity by attempting to be different. The Christian parties have this problem. That was why the Christian Democratic Union-Czechoslovak People's party [KDU-CSL] offered to merge with the Christian Democrats. The situation on the left of the political spectrum is just as scattered. What is your view about this dispersion? Would it not be simpler for the voters if parties with similar programs merged?

[Klaus] It would be much simpler for voters. The U.S. model of two parties or the British model with three parties would be much clearer, and I would like it. Our system is not like that. [passage omitted] It would be a good thing if parties were to unite in some way. We are hiding nothing—we are conducting talks with the Christian Democratic Party [KDS], although it is the courting between the Club of Nonaligned Activists [KAN] and Christian Democratic Union-Czechoslovak People's Party [KDU-CSL] that has hit the media now. But I am now revealing that we are negotiating with them. [passage omitted]

[Weissova] The last question: Prime Minister Meciar, who is somehow hurt by what he sees as President Havel's unflattering view of Slovakia, expects from the meeting with you some gestures of goodwill. Have you any idea what these gestures should be, and do you plan to make any?

[Klaus] I think you know my answer. I am not going to let my equanimity be upset by any statements. There are some topics that should be addressed at the meeting of prime ministers of neighboring countries. They simply exist, I know what they are, and I am well aware of them.

The government will discuss our positions on these topics, so that I, as prime minister, have a government mandate as to how far I can go, what is desirable and what is not.

And, indeed, our preparations for this meeting are being carried out in this spirit. I think that gestures of this or that sort are out of place.

Klaus Said To Support State Paternalism

95CH0157B Prague PRAGUE POST in English 14 Feb 95 p 13

[Article by Robin Shepherd: "Vaclav Klaus: "Is He Really a Closet Social Democrat"]

[FBIS Transcribed Text] *"In the macroeconomic field, the task was to stop paternalism of the state, eliminate all forms of subsidies, keep the state budget in balance and pursue an independent monetary policy."*

—Vaclav Klaus, Nov. 17, 1994

* * *

It has come to the attention of more than a few observers that the free-market rhetoric of Prime Minister Vaclav Klaus' administration is countered by an altogether more interventionist reality. It has even been suggested by some that Klaus would be more accurately defined as a Social Democrat.

A report from London investment bank Morgan Grenfell and Co. last December described the situation in the following terms: "Mr. Klaus may be a fully fledged admirer of the great Austrian economist Friedrich von Hayek—but in some important ways the Czech Republic is not run along free-market lines.... The tradition of state paternalism is still alive and strong despite the robust rhetoric."

The first point to make is that it is unquestionably true that the coalition government has felt no obligation to adopt a laissez-faire approach in its management of the economy. The reality of strict wage restrictions, domestic rent controls and a consistent refusal to liberate prices for electricity and telecommunications is surely proof enough that the Klaus administration is far from the "night watchman" government prescribed under neo-liberal theory.

It is simple enough to recognize the point, but how are we to evaluate its significance? Klaus critics are as stranded as his supporters. The former rail against him for abandoning his people for the supposed inequities of an unfettered market, which he hasn't done. The latter support him for being a no-compromise free marketer, which he isn't either.

The problem is a good deal easier for the prime minister. The following excerpts from speeches delivered by Klaus at home and abroad in 1993 are typical:

"Reform is not an academic problem. It is a political issue, and it is vitally important to win sufficient political support." ... "(The transition period must show) due respect to those social groups that are the short-term losers." ... "The recent elections in Poland...have shown that the process of transition...will have its turn and setbacks."

In other words, Klaus has always been acutely aware of the dangers of pushing ahead too far and too fast without due regard to public opinion. He has managed to direct what is widely regarded as the most successful reform process in Eastern Europe without alienating the voters.

It is true that some of the figures conceal underlying problems. Unemployment, for example, officially registered at a little over 3 percent nationwide, has been kept to such levels by the artificially low number of bankruptcies: just 60 in 1993. But it surely makes sense from a political point of view to delay the onset of large-scale

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bankruptcy until the economy provides sufficient economic growth to soak up the attendant unemployment.

Klaus' stated political ideology is free-market liberalism, but he, like his counterparts in the West, is constrained in what he can achieve by political and economic structures beyond his control. If he did liberate energy prices or domestic rents—thus creating real, albeit short-term, hardship for millions of citizens—he would clearly run the risk of losing electoral support. The re-election of former communists in Poland and Hungary is a warning he cannot ignore.

The next parliamentary elections are scheduled for 1996, and Klaus presides over an economic inheritance characterized by huge subsidies affecting vast numbers of people. It is not so much that the prime minister is the slave of rigid historical determinism. He could abolish all subsidies tomorrow and damn the political consequences. Governments are not powerless to change the nature of their societies, but they do operate in environments that in practice constrain what they will do. Social Democrat-style interventionism, therefore, suggests itself as a logical response to the political and economic structures that govern Czech society.

Of course, the Czech Republic is by no means unique in this. One of the great ironies of the Thatcher years in Britain and the Reagan years in America is that despite oceans of rhetoric about rolling back the frontiers of the state, cutting back on welfare and so on, public spending rose dramatically throughout their terms in office.

Parliamentary democracy spawns interest groups, and politicians must always be aware of whom they hurt and whom they help. Concessions and subsidies to electoral constituencies are the stuff of which European democracy is made, as even a cursory glance at the countries of the European Union will demonstrate. We are all Social Democrats, and Vaclav Klaus is no exception.

Police Officer Arrested in Uranium Smuggling Case

AU2803121395 Prague LIDOVE NOVINY in Czech 24 Mar 95 p 16

[Article by Jan Gazdik and Dalibor Balsinek: "A High-Ranking Police Officer Became Involved With an International Nuclear Gang"]

[FBIS Translated Excerpt] Two more men were added on 22 March to the three suspects held in custody in connection with last December's smuggling in a car of three kilograms of highly enriched uranium (by isotope 235 to 87.7 percent). An employee of the Prague Police Presidium, who wishes to remain anonymous, told this to LIDOVE NOVINY. He only added that one of the two detained men is a Prague policeman.

"His arrest was a demonstrative act with all the trimmings," the Prague police source told LIDOVE NOVINY. It was allegedly supposed, among other things, to express the Czech Police's uncompromising attitude toward uranium smuggling. "It may also have been a show for the boys from the FBI, who came to the Czech Republic because of the rise in the illicit trade in fissionable materials," he added. On the other hand, a high-ranking officer of the Office of Investigation is convinced that the vigorous action was intended to show the men in the Prague Police Administration what will happen to them if "they get involved in organized crime," where this case allegedly belongs. According to the LIDOVE NOVINY sources, the Americans are very uneasy about the free trade in fissionable materials, all the more so since 8 kg of smuggled radioactive material was seized in Ukraine a week ago. According to experts, the arrested policeman could have a very high rank. He probably provided the nuclear gang information on whether it is under surveillance on the territory of the Czech Republic. "He could not have known, however, that they were subject to control by the Section for Detection of Organized Crime that detained the three, the Prague police officer speculates." [passage omitted]

Havel: Application to Join EU Likely by Year-End

95CH0133D Prague HOSPODARSKE NOVINY in Czech 19 Jan 95 p 1

[Unattributed article: "The Czech Republic Will Evidently Submit an Application To Join the European Union by the End of the Year"]

[FBIS Translated Text] Prague—The Czech Republic will most likely submit an application to join the EU by the end of this year, President Vaclav Havel said yesterday. Prime Minister Vaclav Klaus and Minister of Foreign Affairs Josef Zielenice already noted several times earlier that the most likely date for submitting an application would be the time of the EU summit in 1996.

At the press conference held during the final day of the state visit of Polish President Lech Walesa, President Vaclav Havel added that membership of the Czech Republic in the structure of the North Atlantic Treaty Organization (NATO) appeared to him to be closer in terms of timing than membership in the EU. He is led to this belief by the fact that membership in NATO appears to him to be less demanding than membership in the EU. Moreover, membership in NATO would, in his words, facilitate the firm anchoring of the Czech Republic in Europe, and would, at the same time, create a feeling of security, stability, and tranquility necessary even for membership in the EU. He also believes that NATO itself is currently prepared to discuss its expansion and, in view of the persisting warlike conflicts in the Balkans and in the Caucasus, wants to devote itself to its expansion, he added. Vaclav Havel mentioned that he had also discussed the topic of the future European arrangement with President L. Walesa.

Lech Walesa stated that membership in NATO and the EU is the weightiest matter even for the Polish Republic

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and is a matter of "extraordinary interest" for his country. At the same time, he invited President Havel to visit Poland to continue discussions on these topics, as well as on questions of mutual cooperation between both countries.

Inflation in 1995 Predicted To Remain at 10%

95CH0133A Prague HOSPODARSKE NOVINY in Czech 11 Jan 95 p 1

[Article by Pavel Richter: "Inflation in 1994 Was Not in the Single Digits but Reached an Even 10 Percent"]

[FBIS Translated Text] At the end of 1994, the annual rate of inflation reached an even 10 percent. This was revealed yesterday on the basis of December data of the index of consumer prices by Jarmila Lehnerova, the spokesperson for the Czech Statistical Office (CSU). According to that office, consumer prices rose by 0.4 percent during the final month of last year, which amounts to the third lowest increment.

Zdenek Vesely, head of the Department of Analyses and Predictions at the Ministry of Finance, told HOSPODARSKE NOVINY that he was pleasantly surprised by the December developments. "In stabilized economies, the so-called Christmas season does not come completely at the end of the year, but rather in October or November. And the December price indexes are then some of the lowest," he said. According to him, such developments did not occur in this country until last year, which is indicative of the fact that, even in this direction, the situation is stabilizing.

In comparing December 1994 with the same period of the previous year, consumer prices rose by 10.2 percent. The annual inflation rate, which is expressed by a sliding annual average of consumer price indexes for the last 12 months, which is compared to the average for the previous 12 months, also reflects the price developments of January 1993 and results in a reduction of the significance of price leaps. On the other hand, the annual increase in consumer prices is more accurate in reporting price developments in individual years and can, thus, serve as a better tool for valorizations, for example. As Jiri Pospisil, the senior director of the Department of Currency Development at the Czech National Bank (CNB), told HOSPODARSKE NOVINY, that it also operates with this indicator. In the future, he stated that the data contained in both of these indicators will come together more. According to the CSU, food prices rose by 13.9 percent, when viewed in terms of their interyear growth; prices of nonfoodstuffs rose by 6.8 percent, and prices in public catering rose by 10.9 percent; prices of services rose by 14 percent. In December of last year, food prices increased the most—by 0.5 percent.

While the Ministry of Finance estimates that the inflation rate for this year will be 7-9 percent, the forecast by the CNB anticipates that the inflation rate will grow to 10 percent. According to Z. Vesely, no dramatic price jumps can be expected to occur this year, not even those involving the prices of meat products, which last year influenced the growth of inflation significantly, particularly in August and September. The goal of the CNB is to lower inflation as much as possible, but the estimate of 10-percent inflation is commensurate with our opportunities, said J. Pospisil. According to him, increased growth of the money supply is not exerting any pressure on prices for the time being. In this direction, it is noteworthy that the structure of the influx of foreign capital tends more to support real growth in production, whereas its influence upon prices is not as great, stated J. Pospisil. According to him, smaller growth of the money supply this year will also be the result of the declining credit expansion expected to be experienced by domestic monetary institutions and anticipated greater imports from abroad.

Budget in 2000 Expected To Drop to 37% of GDP

95CH0133B Prague HOSPODARSKE NOVINY in Czech 9 Jan 95 p 1

[Article by Jiri Nemecek: "According to Finance Minister Kocarnik, the Share of the Budget in the GDP Could Decline to 37 Percent in the Year 2000"]

[FBIS Translated Text] According to hitherto available figures, the 1994 budget ended with a surplus of 11.161 billion korunas [Kc]. Compared with the originally approved budget (at Kc381.8 billion on the revenue and expenditure side), budgetary revenues were higher by Kc7.658 billion and expenditures were lower by Kc3.503 billion. This was announced by Minister of Finance Ivan Kocarnik. However, he noted that the figures are not yet final for the time being. Payments pertaining to last year will keep coming in until approximately mid-January and this will still have a moderate effect upon the budgetary results.

The revenue side of the budget showed a surplus particularly in regard to social security premiums—by Kc8.6 billion above the planned amount of Kc120.1 billion. According to Minister Kocarnik, this development is logical because the insurance premiums are tied to higher wages, which grew very rapidly last year.

Nontax revenues participated in the surplus with Kc6.2 billion (above the planned Kc24.4 billion). Tax revenues did not fulfill the expectations (Kc237.3 billion) and only amounted to Kc230.2 billion, which amounts to a decline of 3 percent compared to the planned amount.

Failure to meet anticipated tax revenues was attributed particularly to the value-added tax, which showed a negative balance of Kc8.63 billion, and the tax on incomes of legal entities, which resulted in adding Kc8.464 billion less to the budget than had been originally expected.

The government policy aimed at reducing the share of public expenditures reflected in the GDP, which was expected to reach a level of 40 percent in the year 2000,

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has been so successful, according to I. Kocarnik, that it will be possible to perhaps reduce the budget's share in the GDP even to 37 percent. At the same time, the tax quota (in this case, the share of tax revenues of the state budget applied to the GDP) is being lowered from 24.7 percent in 1993 to last year's 22.3 percent.

Parliament will most likely decide on how to use the surplus from last year's budget in May. HOSPODARSKE NOVINY was told by Miroslav Havel, director of the State Budget Department of the Ministry of Finance, the state budget law for 1995 contains provisions under which the state will be duty-bound to return the deposits of social security premiums to enterprises, as well as the contributions they made to the state policy of employment, which they paid on 8 January 1993. This amount is equal to Kc2.5 billion. The law also makes it possible to transfer specific categories of unexpended resources from last year's budget to this year's budget. M. Havel estimates that this might involve approximately Kc1.5 billion. The Kc6 billion which will be necessary to handle the already announced June valorization of pensions will also remain in the game.

Deficit's Share of GDP Continues Downward

95CH0133C Prague HOSPODARSKE NOVINY in Czech 20 Jan 95 p 7

[Article by Jiri Nemecek: "The Share of the State Debt in the GDP Is Constantly Declining"]

[FBIS Translated Text] As long as current revenues for the state budget are lower than budgetary expenditures overall, the state must cover the deficit through credits. This gives rise to a state debt which can be temporary (in the current budgetary period, it covers deviations in management) or it can be long-term in nature (indicative of the indebtedness of the state). Almost all economies in the world manage a state debt and in this comparison the Czech Republic has a very low indebtedness amounting to 15.2 percent of the GDP. In developed economies, this indicator tends to amount to approximately 60 percent of comparable indebtedness.

Approaches to deficit financing of the economy vary—it is true that every debt (or rather its elimination) results in injecting monetary resources into circulation which can have an inflationary effect. But at the time of a depression, the shortage of money in an economy contributes to deepening the economic crisis, and Keynesian economists believe that deficit financing supports the pace of economic growth and employment.

The Policy of Indebtedness

The careful maintenance of the nominal value of the state debt has been a goal of the Ministry of Finance from as far back as 1993. In a situation in which inflation is rising and the gross domestic product is growing, this means that Czech indebtedness is in reality declining. Whereas at the beginning of 1993 the state debt amounted to 19.8 percent of the gross domestic product, a year later this figure was 17.2 percent given the same nominal value of the debt—158.8 billion korunas [Kc] ($5.5 billion)—and the estimate is that at the beginning of this year this indicator now stands at 15.2 percent.

The state debt of the Czech Republic resulted particularly from the takeover of two-thirds of the positive and negative balances of the Czechoslovak Federation, which amounted to Kc88.9 billion. The former Czech Republic left the new state unit with a debt of Kc20.3 billion. To a sizable extent, the "starting-debt phase" also involved the takeover of foreign debts incurred by the Czechoslovak Bank of Commerce [CSOB], which administered such debts for previous cabinets. During 1993, the Czech Republic exhausted the loan of Kc2.3 billion provided by the World Bank (IBRD). The nominal amount of the state debt remained the same at the beginning of 1994 as it had been 12 months earlier (Kc158.8 billion) because the internal indebtedness of the state declined by Kc700 million and the overall foreign indebtedness of the state rose by an equal amount.

Debt Repayment

In 1993, the principal payments were made from the proceeds of state bonds (including treasury bills) and all interest payments were made by the National Property Fund of the Czech Republic out of its own resources. The fund thus paid Kc13.7 billion, and for this year the state budget law requires it to lay out another Kc10.7 billion. Last year, the Ministry of Finance issued bonds valued at Kc21.7 billion, and this year Kc38.2 billion in principal payments are being prepared using the same method.

In September 1994, the Ministry of Finance estimated that in 1995 the state debt would be approximately Kc159 billion and that its share in the GDP would amount to 15.4 percent. This was a very accurate estimate—the long-term state debt rose to Kc157.3 billion by 1995, which means (according to the latest estimates) that its share in the GDP will be 15.2 percent. According to the latest population estimates, the per capita share of the state debt is Kc15,220. At the beginning of last year, this amount was somewhat higher—Kc15,371, and at the beginning of 1993 it amounted to Kc15,379.

The cumulative value of principal payments this year will amount to Kc38.2 billion and, as noted above, these payments should be made as a result of the issuance of state bonds. Interest payments of Kc14.9 billion will be paid by the National Property Fund (Kc10.7 billion) and by the state budget (Kc4.2 billion). Of course, the total of interest payments made is not firmly given in advance—the final amount the state will pay for its debt will depend on the specific situation in the financial market.

Savings Tactics

"We must do our work in such a way as to achieve maximum savings in terms of the money paid by taxpayers," Jiri Franta, chief of the Department of State

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Securities, told HOSPODARSKE NOVINY. For example, the interest rate charged by the Czech National Bank [CNB] is the highest, and the Ministry of Finance will, therefore, attempt to pay off the old credits granted to the government by the central bank on a priority basis. For 1994, the state paid the central bank Kc4.8 billion in interest payments on direct credits, and, at the same time, paid down the principal on these credits in the amount of Kc11.1 billion. At present, legislation no longer permits the CNB to grant direct credits to the government. The only possible instrument which remains is the issuance of state bonds. According to J. Franta, the ministry achieved savings of Kc475 million as a result of accelerated principal payments on direct credits provided by the CNB and by commercial monetary institutions. Operations in the financial market then resulted in savings of an additional Kc358 million for the state. The ministry intends to continue such savings tactics even during this year.

Progress Toward Koruna Convertibility Examined

95CH0133E Prague EKONOM in Czech 25 Jan 95 pp 14-16

[Article by Jiri Zimola, candidate of sciences: "A 'Hard' Czech Koruna—A Systems Approach to Convertibility"]

[FBIS Translated Text] *The purpose of this article is to evaluate selected systems approaches toward solving questions connected with the broader convertibility of the Czech koruna, both from the standpoint of domestic affairs and also external conditions and requirements. The focus of the article does not evaluate the substantive prerequisites for convertibility but touches upon legislative and legal matters which will have to be necessarily considered in designing the monetary program for the upcoming period, to the extent to which this is useful. The point of departure for determining further progress is an evaluation of the existing degree of openness in the foreign exchange economy from the standpoint of its systems effect.*

The basic element involved in the liberalization of the foreign exchange economy after 1989 was the provision making it possible for foreign exchange citizens—legal entities—to freely enter upon monetary obligations involving foreign exchange foreign nationals in the current account of the balance of payments. At the same time, the foreign exchange bank has the duty to make available, to the credit of the foreign exchange foreign national, the foreign exchange resources required to meet the obligation which has come about.

The principle of the domestic convertibility of the koruna for current transactions was legislatively confirmed by Foreign Exchange Law No. 528/1990 Collection of Laws [Sb.], which became effective on 1 January 1991. Its amendment, carried out by Law No. 228/1992 Sb. of 22 April 1992, was significant because it was an immediate reaction to the principle of free enterprise, anchored in the commercial codes of 1991. The elimination of the differences between doing business in the domestic area and in the area of international commerce was reflected in the expansion of the principle of convertibility to all private individuals engaged in business activities which were defined in the previously mentioned commercial code.

The foreign exchange market thus became accessible to all business entities under equal conditions. From the substantive viewpoint, neither the current foreign exchange policy nor the foreign exchange law place any limits on payments made for current operations. The extent of payments made abroad for current transactions is dependent only on the amount of actual monetary resources owned.

The principle of domestic convertibility was connected with the fulfillment of the so-called "offering duty" involved in the purchase of foreign exchange revenues by the banks in exchange for koruna currency. The duty to sell foreign exchange, alongside the present right to buy it freely, was justified for purposes of strengthening foreign exchange reserves of commercial banks and of the central bank.

The foreign exchange law does not absolutely impose the offering duty. Based on the law, the offering duty does not apply to foreign exchange deposits made in the basic wealth of a domestic enterprise, including foreign exchange resources deposited for purposes of increasing its capitalization, foreign exchange obtained by gifts, inheritance, and as interest paid on a foreign exchange account maintained by the bank. This type of foreign exchange may be freely used with the exception of using it for purposes of trading, as long as one of the participants in the commercial transaction is not the foreign exchange bank. The law also makes it possible to obtain an exemption from the offering duty as a result of being granted a foreign exchange permit.

Mitigating Step

Utilizing the authority contained in the foreign exchange law, the Czech National Bank [CNB] decision of February 1994 substantially eased the fulfillment of the offering duty. Currently, the CNB is issuing basically automatic foreign exchange permits to establish foreign exchange accounts with domestic foreign exchange banks; the prerequisite involves foreign exchange revenues of the applicant which, in this case, are not subject to the offering duty. Foreign exchange may be used in direct payment of obligations entered into with foreign exchange foreign nationals; but in the event foreign exchange is used to make payments to other foreign exchange Czech nationals, it is automatically subject to the offering duty. Current experience confirms the original expectations, namely that, under conditions of the stable standing and development of the national currency, the holding of foreign exchange is not subject to priority treatment, but the utilization of koruna resources, which are valorized more rapidly and result in

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greater benefits, is prioritized. The use of acquired foreign exchange in subsequent payments made abroad results in lowering transactions costs connected with the purchase and sale of foreign exchange.

Relaxation of the offering duty is not applicable to transfer duty and to establishment of foreign exchange accounts abroad. Current legislation does not consciously set a deadline for fulfilling the transfer duty, but merely establishes that it must be met without delay. Given the current degree of Czech koruna convertibility, it should be in the natural economic interest of the businessman to fulfill this duty as soon as possible. For purposes of financing specific projects abroad, the Czech National Bank may issue a foreign exchange permit as an exemption from the transfer duty and may agree to leave the foreign exchange in an account abroad. On the basis of experiences gathered by a number of countries which are developed today, it is useful to shift the liberalization of accounts held abroad to the closing phase of transformation.

Liberalization Measures

In 1994, legislation confirmed additional measures which are part of a broader program of convertibility applicable to the Czech koruna. The amendment of the implementing regulation accompanying the foreign exchange law (Regulation No. 303/1992 Sb.) in August 1994 served to increase the limit on the free export and import of Czech koruna currencies for purposes of travel to 5,000 korunas [Kc] in cash.

A new provision rescinded the limitation on the export of securities to foreign countries where such securities are valued in Czech currency.

The amendment of the above regulation served to legalize property participation by domestic individuals on the territory of the Slovak Republic, which came about as a result of the first round of privatization.

At the same time, an analysis and evaluation was performed regarding the policy of the foreign exchange organ so as to render the measures contained in valid legislation adequate and commensurate with the anticipated dimension of openness in the foreign exchange system. In the course of 1994, the Czech National Bank relaxed its administrative proceedings connected with the issuance of foreign exchange permits for direct investment purposes abroad and for the acceptance of monetary credits from foreign exchange foreign nationals. Foreign exchange permits for investment purposes were issued, as a matter of principle, to all applicants. The low value of investments from the standpoint of the expenditure portion of the capital account are a reflection of the low degree of capital preparedness to undertake commitments abroad. Stricter approaches involved in proceedings connected with the acceptance of monetary credits were asserted only in cases involving inadequate information regarding the quality of the foreign lender (suspicion of money laundering) or on the basis of excessive costs connected with the credit. In these cases, it was recommended that more advantageous conditions for the credit be negotiated.

Portfolio investments were judged more cautiously, with the exception of the purchase of foreign employer securities by individuals. The purpose of this policy was to minimize the flight of capital which was frequently speculative in nature and was risky. The proposed measures, worked out toward the end of 1994, are based on the relaxation of existing approaches and the relaxation of policies involved in the issuance of foreign exchange permits for purchases of foreign securities. In addition to some fiscal effects, a more liberal policy supports development of instruments in the capital and monetary market which, under conditions of a broader convertibility of the national currency, exert their influence upon the results of the foreign exchange economy.

Convertibility of Current Operations

The convertibility of the Czech koruna for purposes of current operations represents yet another degree of development of the foreign exchange mechanism and also represents a parallel method for securing the foreign exchange and monetary balance.

By joining the Treaty on the International Monetary Fund in 1990, the successor Czech Republic obligated itself, among other things, to permanently take into account the goals of the fund. These are declared clearly: support for international monetary cooperation, facilitation of the extent and balanced growth of international trade, exchange rate stability, aid for a multilateral system of payments for current transactions, elimination of foreign exchange restrictions, and assistance in rectifying defects involved in the equalization of payment balances.

From the standpoint of the above goals, the first question which arises involves the evaluation of the existing degree of openness in our economy with respect to the Treaty. Internal convertibility of the Czech koruna for purposes of current operations and the assertion of a certain degree of capital restrictions are in line with Article XIV of the Treaty which defines a so-called "transition period" and makes it possible to preserve and modify the limitation of payments and transfers in international transactions according to changing conditions. At the same time, the provisions of the article anticipate that, as soon as internal conditions so permit, such measures would be taken which, by rescinding foreign exchange restrictions, would facilitate international payments and would support a firm position for the national currency in relationship with other currencies.

A qualitatively new obligation is expressed in Article VII of the Treaty which limits the full convertibility of the national currency to the current account in the balance of payments. The introduction of convertibility according to the above article is predicated on rescinding

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the foreign exchange restrictions for current transactions which were in effect until now or implementing the obligation that, without approval by the fund, no restrictions will be placed on payments and transfers involved in current operations.

The introduction of convertibility of the Czech koruna for purposes of current operations according to Article VIII of the Treaty is a frequently used thesis for its legal and realizational application in the short term.

What Must Be Rescinded?

From the above, it is evident that the degree of restriction for current operations under conditions which exist in our model of internal convertibility is not great. The obligation to do away with restrictions which are still being applied will have to do particularly with facilitating the access of foreign exchange Czech nationals—individuals—to foreign obligations and the possibility of making free monetary payments for these obligations. The increase in the limit of money the population can spend for purposes of purchasing securities and foreign exchange in 1995 to a countervalue of Kc100,000 goes a long way toward fulfilling the above-listed requirement because the significance of the limit is already more of a technical and operational nature today. The limit itself, as long as it is sufficiently high, is not a direct obstacle to the introduction of convertibility. The full relaxation of payments connected with such costs as medical treatment, education, and transfer of payments, wages, and other payments of a social and similar character is considered to be fundamental.

Despite the fact that the evaluated provisions of the Treaty do not explicitly call for full rescission of the offering duty for businessmen, the taking into account of equal conditions for the convertibility of the Czech koruna in exchange for another convertible currency under current operations for all categories of Czech nationals and foreign nationals actually anticipates this move.

Article VIII relatively strictly excludes participation in any kind of discriminatory measures or practices by the majority of foreign exchange exchange rates. Generally, discriminatory measures in the above sense are considered to be bilateral payments agreements which consistently favor the payment of mutual obligations by the contractual parties in comparison with current payments conditions which are asserted vis-a-vis other members of the fund. The establishment of a different exchange rate for the national currency for purposes of accounting for payments in bilateral relationships in contrast to the exchange rate of the same currency quoted for other payment purposes can be considered as a practice involving the plurality of the foreign exchange rate which the Treaty does not permit as a systems provision.

The obligation of each member of the fund is to buy up the remainder of their own currency held by another member, as long as such a requirement is documented. The proof is, in principle, a certain verification that the money held will be used to pay for operations in the current account.

The language and the explanation of Article VII of the Treaty of the International Monetary Fund admits that the conclusion of contracts in the currency of any member of the fund cannot be enforced if such a procedure would not be in harmony with internal foreign exchange regulations. The obligation to purchase national currency being held by a foreign national more or less anticipates the need for the broader utilization of such currency in international transactions. The program for convertibility of the Czech koruna does not count on utilizing any possible restriction.

Operations in the Capital Account

The question arises whether, under current conditions affecting the development of capital, monetary and fiscal markets, it is possible to purposefully separate convertibility in the current account from convertibility for capital operations and to subordinate the functioning and utilization of the national currency to this separation. It is possible to create such a mechanism, but the demanding nature of its administrative and technical aspects could very likely implicate the development of new conditions which would tend to not make international commercial and monetary transactions any easier.

What is the current degree of regulation pertaining to capital operations? On the capital influx side, regulations apply particularly to monetary credits received from foreign exchange foreign nationals, the purchase of real estate by foreign exchange nationals in the Czech Republic, and the fulfillment of monetary obligations payable to foreign exchange foreign nationals based on bonds made out in Czech currency which are payable within one year. On the capital outflow side, regulations are applicable to direct investments abroad, the provision of monetary credits to foreign exchange foreign nationals, purchases of foreign securities and real estate, and the maintenance of resources in foreign exchange accounts abroad.

An important liberalizing element was the relaxation of access by foreign nationals to making direct investments, as well as portfolio investments in the Czech Republic. Free access for foreign investors is not restricted in any manner. Agreements to support and protect investments, which were signed thus far with approximately 35 countries, facilitate the bilateral free transfer of profits from investments, including the repatriation of the invested capital. The identification of investments in these agreements is fundamentally broad and does not exclude the free conduct of business and financial operations which are commensurate to developed markets. The content of the above-mentioned international agreements, which have a higher legal force than the law, more or less predetermine what is actually a more extensive degree of convertibility of the Czech koruna than is the case for current operations.

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Full convertibility for the koruna will require legislative confirmation by a new law. Thus far, the foreign exchange law which is in use and the various regulations do not provide for the possibility of having the Czech koruna be in circulation abroad, with the exception of its limited use for travel purposes. It is particularly for this reason that a merely coincidental amendment could not legally do justice to the desirable internal interrelationships and balances inherent in the mechanism as a whole. The new position for the koruna as well as the modification of foreign exchange relationships will require even a completely new architecture for the law which will approach the modern codes and standards currently used in the countries of the European Union and in the OECD. The focal point of the legal confirmation of convertibility will be the actual recognition of and participation by the koruna in international payments and financial transactions. The process of expanding convertibility presupposes such conditions in the efficiency of the national economy as are comparable with conditions in other countries, but which simultaneously accelerates the approach to these conditions. The result should be economic success and a strengthening of confidence in the Czech Republic in the international community.

Antidrug Agency Aided by Germans

95CH0150A Prague PROGNOSIS WEEKLY in English 8 Feb 95 p 5

[Article by Richard Byrne Reilly: "Germany Buying Cars, Computers for Czech Drug Cops"]

[FBIS Transcribed Text] Prodded by fears that Czech authorities are losing the war against major drug traffickers and that narcotics are flowing into Germany virtually unchecked, the German government has begun supplying Czech anti-drug police with financial and technical assistance in the form of computers and expensive automobiles.

PROGNOSIS WEEKLY has learned from a source who requested anonymity that the German government last week paid 500,000 Kc ($18,000) to an auto dealership in Prague for a new Ford Mondeo sedan as a "gift" to the Anti-Drug Agency of the Czech National Police for use in their war against organized drug gangs. Depending on how successful continuing anti-drug efforts are, more gifts may be forthcoming, according to the source.

"Both sides involved expressed their view that the deal should be kept a secret," said the source, who was directly involved in the sale. "The cops don't want the drug dealers to know what kind of equipment they're using." Another reason for confidentiality is fear that the Germans will be viewed as improperly involving themselves in Czech law enforcement affairs.

In addition to the Ford Mondeo, the German Federal Bureau of Investigation, or BKA, last year purchased both a Peugeot and Volkswagen Passat sedan for their Czech counterparts, said Christina Markert, a spokeswoman for the German Embassy in Prague. Computer equipment was also purchased for the Czechs, but Markert declined to describe the quantity or type of hardware.

"The German government purchased these cars for the Czech drug police as part of the cooperation between Czech and German (drug) police for their war against drugs," Markert said. "It's a matter of international cooperation." She declined to say how much the gifts were worth.

Asked if the equipment was donated to reduce pressure on the understaffed and underfunded Czech drug authorities, Markert said, "I assume this to be the case." She added that the gifts were part of the BKA's quality equipment exchange program, and that other foreign police departments have in the past received similar assistance.

Czech authorities have come under increasing international pressure to do more against the organized drug syndicates who have set up operations in the nation to exploit its geographical position in the center of Europe. The gifts come amid rising German concerns that increasing amounts of illicit narcotics, especially heroin, are finding their way from the Czech Republic into Germany. The feeling that the Czech authorities are unable to effectively combat the drug trafficking networks, let alone eradicate them, figures prominently into the car and computer giveaways, said a BKA official who did not want to be named.

The sponsorship of foreign police departments is common in Western countries. For example, the United States supplies South American governments like Colombia and Peru with helicopters, weapons and other forms of aid in their war against cocaine traffickers.

Western government officials, like the Germans, are growing increasingly concerned about the increase in heroin trafficking. Last November, the U.S. Assistant Secretary of State for International Narcotics Matters, Robert Gelbard, warned that "heroin addiction is spreading in transit countries.... There is (a) proliferation of increasingly complex trafficking networks, stretched across virtually every continent. Countries that were on the periphery of the trade now play important brokering and distribution roles."

Statistics from the BKA show that as much as 50 percent of all crimes committed in Germany are directly related to narcotics trafficking and drug usage, Komorous said.

By their own admission, Czech authorities have had precious little experience, and even less success, fighting the highly disciplined and organized narcotics syndicates who began operating out of the Czech lands three years ago. Before the political changes of 1989, drug syndicates

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existed on a fraction of the scale they do today, said Jiri Komorous, commander of the Czech National Police's Anti-Drug Agency.

Most of the heroin pouring from Czech borders into Germany and the rest of Western Europe originates in the Balkans. The smuggling routes, which stretch from Albania through the former Yugoslavia and into the Czech Republic, are controlled predominantly by an outfit known to authorities as the Kosovo Gang, named after the region in Albania where it has its headquarters, Komorous said.

Komorous added that the drug syndicates find the geographical location of the Czech Republic—at the crossroads of Western and Eastern Europe—a highly desirable transit hub for narcotics coming from Turkey and the Balkans on their way to the rest of Europe. Recently, however, Komorous' agency admitted that in addition to being a transit point, drug syndicates have begun dumping their products on the Czech market at rock-bottom prices in a drive to recruit customers.

For the most part, the Czech Anti-Drug Agency is officially saying little about the German government's contribution to their war on drugs. Asked about the gifts, a high-ranking official in the agency would say only "this could be the case."

For the Czechs, secrecy about the German gifts appeared to be a high priority. "When it comes down to it, the less anybody knows about it, the better," said Czech police presidium spokesman Ales Svoboda.

Monument to U.S. Army Near Completion

95CH0157A Prague PRAGUE POST in English 14 Feb 95 p 3

[Article by Alex Friedrich: "U.S. Army Finally Getting Its Due"]

[FBIS Transcribed Text] Plzen—After being delayed by almost 48 years of thievery, communist suppression and artistic bickering, the largest Czech monument to the U.S. Army is finally under construction in Plzen (Pilsen).

Its April 25 completion date seems an arbitrary deadline for a project that is close to 50 years overdue, but officials in west Bohemia's largest city are rushing just the same. They want to finish in time for the May 6-8 celebration marking the 50th anniversary of the American liberation of Plzen at the close of World War II.

"It's going to be done by that time even if I have to work on it with my own hands," said Anna Hostickova, an architect for the city of Plzen.

Municipal authorities floated the notion of a visit by U.S. President Bill Clinton, or at least by Vice President Al Gore, but the White House issued only a diplomatic thanks for the invitation.

Visitors, presidential or otherwise, will find the monument on a raised platform at the intersection of Americka and Klatovska streets, two main roads running through the center of Plzen. At the top of a set of curved steps will stand a 130-square-meter platform with a marble star in the middle. In the center of the star will be a bronze circle with a map of Europe and arrows tracing the march of U.S. troops into Czechoslovakia. A pair of towering granite stones, two flagpoles and a dedication to the U.S. Army's 16th Armored Division will appear around the star. Further inscriptions have not yet been decided on, officials said. A fountain will complement the structure.

Hostickova said the design reflects a collective effort by many Plzen architects, historians and artists.

The project was given a final push last summer when the city started drafting new plans and arranging financing. The monument's total cost is expected to hit 10 million Kc ($370,000).

"The government said money is no object this time," Hostickova reported, adding that part of the cost will be offset by private donations.

Considering the loss and theft of donations in years past, just managing construction funds has been a big problem.

"It's already the third collection of funds in the monument's history," said Vaclav Puta, a member of Plzen's Friends of America Society and a historian of the monument project.

In 1948, just months after it was laid, the monument's first foundation stone—valued at 6 million Kc, all of it donated—was destroyed by the communists.

An ironic moment in the monument's peculiar history came in 1952, when Gustav Rada, Plzen's mayor at the time, donated the collected funds to America's Korean War foe, the North Koreans.

Sixteen years later, the more relaxed atmosphere of the Prague Spring allowed a second collection and "another hope for the monument," Puta said. But after the Soviet crackdown later in 1968, the funds "just disappeared," Puta recalled, "and no one has ever found out where they went."

The most recent fund drive, which began in 1990, was followed by a monument design competition. But the design that officials chose, an American flag in stone, was later rejected after public complaint. Among the critics were U.S. veterans.

Plzen will not be alone in having a monument to the U.S. military. Cheb has two and Litice one, and an American Embassy press officer said more than 50 west Bohemian villages have plaques honoring U.S. forces.

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President Kovac Views Basic Treaty, Economy

AU2803141095 Budapest HETI VILAGGAZDASAG in Hungarian 25 Mar 95 pp 47-48

[Interview with Slovak President Michal Kovac by Ildiko Nagy; place and date not given: "Everyone Was Looking Forward to the Basic Treaty"]

[FBIS Translated Text] The time that has passed since independence has justified Slovakia's right to exist, says President Michal Kovac (64), who is hopeful in spite of the political uncertainties and the attacks against him. According to Kovac, the Hungarian-Slovak basic treaty that was signed at the last moment before the Paris stability conference will reduce the tension within the two countries.

[Nagy] Regarding bilateral relations, the basic treaty is the most important issue. Where do you see its significance now that bilateral relations have recently been made tense by several open issues?

[Kovac] I have always advocated that open issues be settled as soon as possible between Slovakia and Hungary. This is the reason I supported from the outset these intentions of the new Hungarian Government and the Meciar cabinet. I also saw in Copenhagen, at the UN social world forum, that international policymakers were looking forward to the basic treaty with great expectations. The Slovak prime minister was also urged for this by President Clinton in his letter; therefore, the United States, as well as Europe, followed this issue with attention. Everyone was looking forward to the basic treaty because we can prove with it that we are able to solve complicated issues through dialogue. At the same time, we were able to prove our political maturity for joining Western Europe. Coming to an agreement on such complicated issues and in such a short time gives a good certificate to both sides.

[Nagy] According to the negotiating partners, the basic treaty can launch further cooperation. In your view, in which areas should we improve our relations?

[Kovac] In my view, the treaty will reduce tensions primarily within the two countries: in Slovakia between the Slovaks and the Hungarians and in Hungary between the Hungarian majority and the minorities. It can also improve cross-border regional cooperation, for example, among enterprises. What is perhaps most important: Mutual trust is gaining strength in the discussion of international issues in which the interests of the region's countries are identical. This can also result in quicker and better solutions of economic and social issues because the ultimate goal of international agreements is to create a better living for our citizens.

[Nagy] It has been two years since you took office. The country's independence is also two years old. What are your views on the events of this period? Which events do you consider most important for Slovakia?

[Kovac] I believe that the past period has proved Slovakia's ability to exist as an independent and autonomous state economically and politically, and in its performance in the international arena. We managed to establish international relations relatively fast, we have our own currency, we stopped economic decline in 1994, increased our foreign currency reserves, and reduced inflation. We have also gained interesting experiences in domestic politics. On one hand, we saw an unsuccessful attempt to introduce one-party governing. However, after the various difficulties, we were able to witness a successful experiment: From March to October 1994, Jozef Moravcik's cabinet, a multiparty coalition governed the country's life, and not too badly. The elections in autumn 1994 showed that the Slovak political theater is very diverse and that cooperation by various parties is unavoidable in the interest of stable governing.

[Nagy] As an economic expert, do you believe that the above-mentioned economic growth can be continued?

[Kovac] The good economic indicators allow us to conclude that the starting point is good and growth can continue. The budget deficit meets the IMF's expectations, the European and the world economy is growing, therefore Slovakia can better sell its products on the world market. Slovakia's association agreement with the European Union came into force on 1 February. If we manage to make sensible domestic political decisions that also influence the economy, then we can make use of the above favorable circumstances. However, it is difficult to tell in advance whether this will happen. The government has a promising economic program, but its success depends on finding well-qualified experts in the central organizations and in the company sphere.

[Nagy] You recently met with [Czech President] Vaclav Havel and [Hungarian President] Arpad Goncz in Copenhagen. At Goncz's initiative, another presidential summit will take place in May, this time in Hungary. In your view, can these presidential meetings contribute to alleviating the serious economic problems that can be seen in all countries of the region?

[Kovac] I do not think that we, presidents, should deal more and in greater detail with economic issues. This is the governments' job, they have the necessary programs, organizations, and means. We must increase mutual trust at the presidential meetings, establish good political atmosphere in society, and we must raise in advance, as ideas, the issues whose solution awaits the governments. Therefore, in my view, we could exchange views at our May meeting on joining Western Europe and on the European security system with special regard to the situation of Ukraine and Russia.

[Nagy] Out of your two years in office, what are your pleasant and disappointing experiences?

[Kovac] I certainly remember with pleasure and satisfaction Slovakia's admittance to the Council of Europe or the ratification of Slovakia's associate membership by the EU member states. I have positive memories of my Prague meeting with President Clinton, and I am happy

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about the country's already mentioned economic successes. As for the disappointments, it took a relatively long time to set up the current government, there was a long confrontation instead of a joint search for solution. It took a long time to start to seriously deal with settling the national minority issue. Society's division has ended on who was in favor or against independence, however, now it is the political parties that are trying to attract people to themselves. This would not be a problem if they did not incite hostility and hatred among people.

[Nagy] You have also been attacked on some occasions, and in fact continuously for a year now. How do you rise above this?

[Kovac] It was very difficult in the beginning because I am very sensitive. However, I later accepted that this is also a part of life and that statesmen have to put up with these situations. I learned on the job how to tolerate these attacks without giving up my principles or without breaking down.

[Nagy] Do you believe that these attacks have now ended?

[Kovac] The weeks-long campaign of the Slovak daily SLOVENSKA REPUBLIKA does not indicate this. However, as only this newspaper has this attitude, I take it as their speciality to attack me. The only negative aspect of this is that many people associate this newspaper with the Movement for Democratic Slovakia, the governing HZDS. Therefore, even those people become suspicious who are completely innocent in the campaign against me. They are certainly trying to discredit me by using half-truths and fabrications. As these are directed against the president, they also harm the respect for the country. I find it difficult to understand how someone who claims to be a guardian of statehood can do so much harm to the same statehood with his actions.

[Nagy] Not even half of your term, which lasts until February 1998, has passed, although you have had enough problems. Do you believe the second half will be easier?

[Kovac] I hope and wish so. In my experience, people want explanations, but we can only deal with these in calm social circumstances. In democracy, people trust the institution of the president of the republic. For example, Arpad Goncz, thank God, does not have to deal with such problems. For this reason, he can be more relaxed at international forums and bilateral meetings where he can concentrate on the country's truly important issues, while I often have to explain contradictions because I naturally want to defend Slovakia's interests.

MKDH Chairman Evaluates Slovak-Hungarian Treaty

AU2803105995 Bratislava SMENA in Slovak 23 Mar 95 p 3

[Transcript of Hungarian Christian Democratic Movement Chairman Bela Bugar's replies to questions phoned in by SMENA readers, in Bratislava on 22 March: "Slovakia Is My Homeland; Breakfast With Bela Bugar"]

[FBIS Translated Excerpt] [Passage omitted] [Reader Cicmanec from Zvolen] [passage omitted] How do you, as citizen of the Slovak Republic, assess the situation in the wake of the signing of the Slovak-Hungarian treaty?

[Bugar] We have been saying from the beginning that a treaty is good when it represents a step forward. But ever since the treaty was signed on Sunday, 19 March, there have been divergent interpretations of it. Hungarians and Slovaks assess the same articles and the same passages differently. Hence, stability, which we expected and which actually was [French] Prime Minister Balladur's declared aim, has not been strengthened so far as a result of the treaty. These divergent interpretations, as well as the fact that even coalition partners did not exactly know what had been discussed in Hungary and what the two prime ministers signed or were going to sign, do not contribute to greater peace in Slovakia.

[Reader Julo from Partizanske] How satisfied are you with the treaty between Hungary and Slovakia?

[Bugar] Of course, this treaty can be good because it has been concluded [sentence as received]. It can initiate the path of Slovak-Hungarian settlement. It even contains provisions that have existed only as political declarations and that have now been given a legal shape. But the developments since the treaty's signing, whether in Hungary or in Slovakia, do not suggest that the treaty will from its very inception contribute to greater stability. I still expect great political disputes regarding the treaty. You will have noticed them even in Slovakia.

[Julo] I listen to the news. There is dissatisfaction in Hungary and perhaps there will also be discontent in Slovakia.

[Bugar] Some coalition partners have already declared that the treaty is unacceptable to them. [passage omitted]

[Reader Dano from Trnava] I would like to return to the controversial article [containing reference to Council of Europe Recommendation] 1201 of the Slovak-Hungarian treaty. How do you interpret it? As is known, the prime minister says that it recognizes only individual rights and that autonomy is out of the question....

[Bugar] Of course, I could cite the pertinent articles of the Copenhagen document, which also state that, if a minority lives in a certain territory in sizable numbers, it can have certain elements of autonomy. I insist that there is no mention of territorial autonomy in any of these documents. We can discuss this issue also on a theoretical level: Does the law on names and surnames relate to a group, or to individuals? Does it relate to a certain group of people or to individuals belonging to that group? Is this a collective right or an individual right? I do not want to go into theorizing but the basic elements of self-administration are embedded in the treaty. I do not have in mind territorial autonomy, but

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territorial self-administration, the basic elements of educational self-administration and cultural self-administration. You know, it is very bad when such disputes arise even before the treaty has been ratified. I can imagine that some officials provoke these disputes to reassure their partners that they can calmly endorse the treaty's ratification because these matters are not there. I have on me both the Hungarian and Slovak versions of the basic treaty and, unfortunately, in some articles and sections they are not at all identical. Therefore, the Slovak and Hungarian expert groups will have to think these matters over and explain them.

[Dano] Is this acceptable to you? Will you support the treaty in the National Council of the Slovak Republic?

[Bugar] We did one thing. The 18 March Congress of the Hungarian Christian Democratic Movement [MKDH] passed a resolution, under which our primary organizations will deliver their opinion on the treaty and will send their standpoints to the MKDH parliamentary club by the end of April. On this basis, we will form a common opinion. I think that this treaty gives us something extra. Until now, there has not been any such treaty or document that would start dealing, or indicate the possibility of dealing, with Slovak-Hungarian relations in this way. The document definitely is an asset from this point of view.

[Dano] So you suppose that the treaty will be ratified?

[Bugar] I think so.

[Dano] Mr. Gasparovic said that the treaty's provisions have been fulfilled already. How do you view this statement?

[Bugar] It is his opinion. But I cannot agree with him. [passage omitted]

Comment: Treaty Allows Divergent Interpretations

AU2803115095 Bratislava SME in Slovak 24 Mar 95 p 4

[Commentary by Ondrej Dostal: "What Will the Meciar Clause Bring?"]

[FBIS Translated Text] If we regard treaties that close and solve disputes as customary, then we will probably arrive at the conclusion that the basic Slovak-Hungarian treaty is a supremely untraditional treaty. And not just because of the great number of outstanding issues that surfaced in the course of its drafting. The presentation of a Slovak Government note to the Hungarian minister of foreign affairs 10 minutes prior to the treaty's signing was a clear signal that the document allows more than one interpretation. The question of whether minority rights ought to be part of the basic treaty, originally formulated in a general way, gradually assumed an increasingly specific shape and, ultimately, the negotiations became deadlocked over the issue of whether the international documents to which a specific reference is made in the treaty should include Council of Europe Recommendation 1201. When it already seemed that the set deadline for concluding the treaty would not be complied with, the two prime ministers "cracked" the problem at their meeting in Bratislava [on 16 March]. Vladimir Meciar's proposal that the parties to the treaty undertake to implement Recommendation 1201, but with the additional clause "respecting individual human and civic rights, including rights of persons belonging to ethnic minorities," became the way out of the deadlock. Meciar's half-sentence opened the path not only to the ceremonial signing of the treaty in Paris, but also to disputes over the treaty's interpretation. These disputes started almost immediately. The Slovak side sees in the Meciar clause the abandonment of collective rights and confinement of the provisions of Recommendation 1201 to individual rights only. Although the contents of the Hungarian Government's official reply to the Slovak note is not yet known, several reactions from the Hungarian side make it clear that, in its opinion, Meciar's clause does not narrow the contents of Recommendation 1201 in any way. Had the treaty included the phrase "respecting only individual rights," there would be no doubt about the justification of the Slovak interpretation. And had the treaty contained the phrase "respecting also individual rights," it would be rather difficult to raise objections to the Hungarians' stand. The way the clause is formulated now, each side has its own "truth" and the treaty has good prospects of remaining untraditional in the future.

Reasons Cited for Request To Delay Mochovce Loan

AU2903130395 Bratislava NARODNA OBRODA in Slovak 25 Mar 95 pp 1-2

[Article by Zdenka Rabayova: "Why Has the Slovak Government Indicated Certain Reservations About the Mochovce Financing Project Only Now?"]

[FBIS Translated Excerpt] Bratislava—[Passage omitted] In view of the Slovak Government's known position on the completion of the Mochovce nuclear power plant and, above all, in view of the statements made by Vladimir Meciar during his meeting [on 21 March] with the director general of Electricite de France [EDF] and on other occasions during his [19 to 23 March] visit to France and Germany, the Slovak request that the European Bank for Reconstruction and Development [EBRD] postpone the decision on providing a loan for the completion of Mochovce really is difficult to understand. Supposedly, even the management of Slovenske Elektrarne [Slovak Power Company, SE] has been taken aback by it. Many do not consider the official explanation—that the request is chiefly a consequence of the European Parliament resolution (particularly the requirement for a reassessment of safety aspects) and of the conclusion of a public debate in Austria—to be the most important argument.

[Finance Minister] Sergej Kozlik's statement that the government had repeatedly notified the EBRD, the SE,

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and the EDF about certain outstanding issues concerning the project for financing the Mochovce nuclear power plant also reveals a great deal.

As we have managed to ascertain from unnamed sources, behind the Slovak request are reservations about the condition that the units of the Jaslovske Bohunice nuclear power plant be shut down immediately after Mochovce goes on stream. A total of six billion korunas is to be invested in the next phase of reconstruction of the Jaslovske Bohunice power plant. In case of its premature closure, that is, prior to 2003-05, the Slovak economy would suffer great damage.

The second reason for the Slovak request are reservations about another EBRD condition for extending the loan. The EBRD demands that the volume of the loan and interest rates be reflected in an increase of electricity prices as soon as possible after the loan's extension. Other issues that supposedly need to be reassessed are why the loan for the completion of Mochovce has gone up from 1.3 to 1.45 billion German marks in the last few months and the question of the Mochovce nuclear power plant's insurance in the event of an accident. The swap of a part of Czech suppliers' receivables for equity [in SE] is also being considered and the fact cannot be ruled out either that some Slovak banks will recover and will be able to offer a part of the loan themselves.

Since the talks with EBRD representatives on the provision of the loan for completing Mochovce have been going on for more than two years, and the condition that the Jaslovske Bohunice nuclear power plant be closed has been known since spring 1994, the question really has to be asked why we did not publicly protest against this condition earlier. Quite the contrary, the officials in charge used the closure of Jaslovske Bohunice as an argument [in favor of completing Mochovce] during the public debate.

If the government decided, literally in the eleventh hour, to have its way [presadit svoje], it took a risky step. It is legitimate to have doubts about its success, if for no other reason than because it was precisely due to our readiness to close down Jaslovske Bohunice that support for Mochovce has been growing, even within the EU.

Gas, Debt Repayment Negotiated With Moscow

LD2803204595 Bratislava Rozhlasova Stanica Slovensko Network in Slovak 1630 GMT 28 Mar 95

[FBIS Translated Text] State Secretary Marian Mojzis of the Slovak Economy Ministry held talks today concerning the implementation of the 12 agreements signed in February by the prime ministers of Slovakia and Russia. He met representatives of the ministries of foreign affairs, economic relations, and fuel and power engineering, as well as of the Gazprom gas company. Our Moscow correspondent, Maria Mikusova, asked Marian Mojzis, who is also deputy chairman of the Slovak-Russian intergovernmental commission, for an interview:

[Mikusova] Did you agree on any details at Gazprom Moscow about setting up a trading company [obchodny dom]?

[Mojzis] We did not agree on any details. The talks were aimed at agreeing long-term commitments concerning gas deliveries to Slovakia up to the year 2010 as well as reaching agreement on the question of transit in the same time frame.

There has been some movement in positions since the talks in Bratislava, where the Russians demanded the setting up of a trading company and we agreed in principle. Today we worked on clearing up the points of dispute about this. At issue is the manner in which the trading company will work, that is, whether it will go directly to the customers or whether it will supply gas to Slovakia through SPP [Slovak Gas Company], as well as whether this trade will take the form of payment for Slovak exports to the Russian Federation.

[Mikusova] Will there be any changes to transit conditions?

[Mojzis] We agreed to stage talks in Bratislava in the second half of April between representatives of Gazprom and SPP. All the details will be sorted out there, so I would not wish to anticipate events.

At the Ministry for Foreign Economic Relations the key question was the Russian Federation's debt to Slovakia and the quest for ways to gradually reduce this debt. In the past talks were held about reducing this debt through the supply of special technology. Today's discussions centered primarily on the supply of goods in the form of raw materials.

I think I can say or indicate to you that we also discussed the possibility of the Russians supplying us with a seagoing ship or possibly several ships, depending on the outcome of talks. That was a Slovak proposal, which should be followed up at the level of experts to decide on the type of vessel. (endall) 281630 griffin/px 28/2046

SPZ Holds Assembly, Elects Leadership

AU2903122995 Bratislava PRAVDA in Slovak 27 Mar 95 p 3

[TASR report: "Party of Entrepreneurs and Tradesmen Assembly"]

[FBIS Translated Text] Bratislava—Defending the interests of small and medium-sized businessmen was set as a priority for the future by the one-day all-Slovak Party of Entrepreneurs and Tradesmen [SPZ] Assembly held at Dolny Kubin on 25 March. The assembly delegates took note of the assessment of the party's activity over the preceding period and approved its new Political Program and Statutes. Vladimir Randa was reelected SPZ chairman. Ivan Sykora, Jan Zoldak, and Jozef Gajdosik became deputy chairmen.

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Kovacs Views Treaties With Slovakia, Romania

AU2903083395 Budapest MAGYAR NEMZET in Hungarian 25 Mar 95 p 7

[Interview with Hungarian Foreign Minister Laszlo Kovacs by Gabor Lambert; place and date not given: "There Is No Deadline for Signing the Hungarian-Romanian Basic Treaty—Foreign Minister Laszlo Kovacs on Foreign Policy Consensus, Opposition Criticism, and Further Negotiations With Bucharest"]

[FBIS Translated Text] [Lambert] Mr. Kovacs, on the basis of the parliamentary debate following the signing of the Hungarian-Slovak basic treaty, do you think that the often-mentioned foreign policy consensus among the parliamentary parties has broken down completely, without a possibility of replacing it?

[Kovacs] The consensus can be interpreted in two areas: the foreign policy goals on the one hand and the methods, means, and style of this foreign policy on the other. Regarding the goals, there has been a steady consensus among the parliamentary parties since 1990, since the creation of multiparty parliamentary democracy and the elimination of the Soviet influence. Moderate political forces continue to formulate the same goals today, namely Hungary's integration in the Euro-Atlantic community, the creation and maintenance of normal relations with the neighboring countries, including multilateral cooperation (or more broadly, with the countries in the region), and support for the ethnic Hungarians beyond our borders in their endeavor to recognize and guarantee their minority rights, as well as to assert these rights in practice.

However, the consensus on choosing the most adequate methods of reaching these goals was very short after the Antall cabinet took office. It quickly transpired that, according to the opposition, the methods and means that the prevailing government regarded as adequate occasionally took us farther away from these goals. Therefore, contrary to certain claims, in this respect, the foreign policy consensus broke down as early as in 1990-91, rather than in the course of the 1994 election campaign. The Kalachnikov affair was the first major affair that made this clear. This was followed by a lot of other things later, like the debate on whether it is expedient to try to slow down Slovakia's membership in the Council of Europe, as the government wanted at the time. The current debate is not on the main foreign policy goals either; instead, it is on the means, including the basic treaties.

[Lambert] Does this mean that you are not afraid that, just as the Ukrainian-Hungarian basic treaty essentially caused the split of the Hungarian Democratic Forum [MDF], this recent basic treaty could lead to the breaking up of this consensus on strategic principles? In other words, do you fear that, from denying the document, some political forces might go as far as to question the need for European integration and that they might even find serious social support?

[Kovacs] The debates definitely contained arguments that almost questioned the integration. In my view, those who wholly reject the basic treaty and see some kind of a dictate in the European expectations regarding the agreements with our neighbors do not understand that rapprochement is our national interest too, irrespective of the expectation of the West. I think it is quite understandable that the West is only willing to accept in the EU and NATO countries that have no unsolved confrontations with their neighbors. Those who are unwilling to accept this are hindering Hungary's Western integration, even irrespective of their intentions.

[Lambert] Do you regard the opposition's criticism as coordinated and uniform, or have there been opinions that particularly surprised you?

[Kovacs] As for the debate as a whole, to a certain extent, it fell short of my expectations connected with the opposition, because I thought the opposition was capable of thinking in European dimensions and seeing that the future and prosperity of Hungary and the Hungarian nation are indivisible from the Euro-Atlantic integration of Hungary and of this region, and the opposition also views the settling of relations with our neighbors accordingly. Those opposition politicians who declared that the result is failure whether the government signs the basic treaties or not have limited their own scope. It is impossible to evaluate realistically the document from this contradictory viewpoint. Logical contradictions naturally emerge from this position, like the claim that the basic treaty is bad, as well as the opinion that it contradicts the also-criticized Meciar government program. Obviously, the two claims cannot be true at the same time.

I was not surprised at the Smallholders' arguments, because everything that the party chairman and others said had already been voiced by them in the course of the debate on the Hungarian-Ukrainian basic treaty. However, I was surprised by the arguments of the MDF politicians as representatives of the leading party of the previous government coalition, because they know exactly what goals can be realistically set out in a basic treaty, and they are also aware of the fact that, regarding the national minority rights, the Hungarian-Slovak basic treaty contains more than the Hungarian-Ukrainian basic treaty signed by them at the time. The Federation of Young Democrats [FIDESZ] no longer surprises me, because this party changed so much compared to its image of a few years ago that its politicians can no longer say anything that would surprise me. As for the opinions that make it clear that they oppose the Hungarian-Slovak treaty without even reading it, I think one should not even waste time with them. They miss things that are included in the treaty, and they oppose things that are not in the treaty.

However, opinions have also been voiced from the opposition, opinions that are in harmony with the customary opposition arguments in Europe. They pointed

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out the shortcomings of the basic treaty, and this is the task of the opposition; it clearly transpired from their argumentation that they are aware of the realities and they accept things that represent progress. Such an opinion was represented by Geza Jeszenszky, for example, who criticized the treaty but said that time will tell whether this treaty will serve this country's interests and the interests of Hungarians beyond our borders. The fact that, as foreign minister, he had the opportunity to learn the European realities in four years obviously contributed to this opinion.

[Lambert] Speaking of the Western dictate issue, certain Western opinions also point this out, like the clear stress made by THE FINANCIAL TIMES. Certain subjective and emotional concomitant phenomena point this out even more and ask whether it was fortunate to set a deadline and sign the treaty precisely in Paris and simultaneously subordinate the bilateral treaty to the French presidential election campaign.

[Kovacs] The date was set by the start of the Conference on European Stability, not by us. It was the expectations of the EU members states, and even the United States, to have the documents signed by then. However, this deadline had both disadvantages and advantages. Obviously, it is true that this deadline exercised some kind of psychological pressure on the countries in question and we know that the readiness to come to an agreement does not automatically increase under the influence of outside pressure and urging. On the contrary, the positions might even become harder as an opposite effect. At the same time, I am also sure that, without such a "coercive" deadline, the experts of the three countries involved would not have worked day and night, especially in the last period. It is also a fact that not only Budapest, but also Bratislava and Bucharest felt this pressure, and this increased the Romanian and Slovak leadership's readiness to come to an agreement. This international expectation obviously contributed to Slovakia's agreement to include Proposal No. 1,201 of the Council of Europe in the treaty—something that Slovakia refused to the last moment—among the documents that also represent a legal commitment for the sides from now on. The fact that the Hungarian-Slovak treaty was signed after all and that the Hungarian-Romanian treaty failed to materialize proves that the aforementioned deadline was not decisively important after all. We could come to an agreement with Slovakia by not having to make basic compromises that harm our interests. However, we could have only come to an agreement with Romania by making compromises involving the giving up of our interests, and we refused to do that. All this shows that Hungarian diplomacy consistently stuck to the set goals, and the urging of the deadline did not change that either.

[Lambert] Can we even talk of an agreement at all when debates on interpretation have been following the treaty since its signing?

[Kovacs] What happened here is indeed strange and unusual. Literally seconds before the signing, my Slovak colleague handed me a note (in the hall, in the Matignon Palace), in which the Slovak side is trying to interpret the sphere of authority of Recommendation No. 1201 of the Council of Europe, denying that this contains the concept of autonomy. Naturally, we will answer this note in the adequate form. Before that, however, I would like to point out that a unilateral interpretation of a treaty has no legal consequences whatsoever regarding that treaty. One more thing: I am convinced that it would be unfortunate if the two sides got into an interpretation debate now. A treaty should be implemented and not interpreted. I said all this to my Slovak counterpart in Paris.

[Lambert] When can we expect the Hungarian and Slovak sides to ratify the treaty?

[Kovacs] The government wants to submit the treaty to parliament for approval within one month. Naturally, there is a possibility that the documents will not be approved by the Slovak parliament within one month. In that case, the treaty will not become valid until then. I must note that, in the course of the negotiations, Mr. Meciar said that if he signs a treaty, he is also able to make the parliament adopt it.

[Lambert] Let us suppose that the ratification will be smooth on both sides. After this, what demands can the ethnic Hungarians in Slovakia come up with, demands that the Hungarian Government can support? Several misunderstandings have emerged in connection with the concept of autonomy in recent days. What is the autonomy right supported by the Hungarian Government on the basis of the valid European norms and the basic treaty?

[Kovacs] We can support every demand that appears in the treaty and in the international documents that the treaty refers to as legal commitment. This also refers to the issue of autonomy. The possibility of creating an autonomous public administration and the right to do that in areas where the ethnic minority forms the majority of the population appears in the CSCE Copenhagen document and in Recommendation 1201 of the Council of Europe.

[Lambert] One more question connected with this: Let us be very optimistic and suppose that, with time, the European perception of the autonomy will change. Would this basic treaty limit the scope of the Hungarian Government in such a case? In other words, under the given circumstances, will we be able to move ahead?

[Kovacs] I do not think anything will hinder the signing of a new agreement between Slovakia and Hungary—hopefully already integrated in the EU by then—if the interpretation of national minority rights and the circle of accepted norms become broader in Europe.

[Lambert] What conclusions have you drawn from the negotiation experiences so far, and what experiences can the foreign ministry use in the future Hungarian-Romanian negotiations?

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[Kovacs] The open questions are known. The coming weeks and months will tell whether it is possible to move on from the current position. It seems to me that this primarily depends on the domestic conditions in Romania. I do not see any chance of rapid advancement at the moment, but I would like to stress that the two prime ministers agreed in Paris to continue the efforts and the negotiations, and we will renew the talks at the level of experts within two weeks. It also belongs to the picture that, along with all this, we are striving to advance and come to an agreement on every concrete issue possible. I can mention as an example the recent agreement on opening new border crossing points.

[Lambert] According to some Romanian press evaluations, the basic treaty has now become really important for Budapest. Do you agree with this, or the determining point is that the scope of the Romanian diplomacy has become limited now after Romania no longer has a partner to coordinate its moves on the basic treaty issue?

[Kovacs] I think that the signing of the basic treaty has always been important for Hungary for several reasons. After Paris, after the signing of the Hungarian-Slovak basic treaty, the Hungarian-Romanian basic treaty has become neither more important nor less important for us. Naturally, it is not my task to evaluate the scope of the Romanian diplomacy.

[Lambert] Will the Hungarian Government accept any new deadline for signing this basic treaty? For example, the meeting of NATO foreign minister scheduled for December, in which decisions on broadening the organization might also emerge....

[Kovacs] At my meeting with Mr. Melescanu in Budapest prior to the Paris conference, we agreed not only on determining the circle of continued open questions and on refraining to blame each other for failing to sign the treaty now, but also on the fact that it would not be expedient to set a deadline for ourselves.

[Lambert] Learning from the Slovak experience, are we ready to accept any limitation or condition regarding Recommendation No. 1201?

[Kovacs] Irrespective of the Hungarian-Slovak basic treaty, we will not accept any restriction that would limit the authority of the signed document or which could give an opportunity to different interpretations.

[Lambert] What will be the position of the Hungarian Government if the ethnic Hungarians in Romania firmly demand participation in the bilateral supervision mechanism?

[Kovacs] We will try to assert this in the course of the negotiations. Besides, the Slovak-Hungarian basic treaty does not exclude the possible participation of representatives of ethnic minorities either, but it does not guarantee it either.

[Lambert] How long does it make sense to continue negotiations on the level of experts with Romania? At what point will the Hungarian Government feel that these negotiations should perhaps be conducted at a higher level, and how high can this level be?

[Kovacs] There have already been high-level contacts, too, because Gyula Horn and Ion Iliescu talked to each other several times. The two prime minister held talks in Paris; I met with Foreign Minister Melescanu several times; and the state secretaries also held talks. So work has continued alternatively at the level of experts and at the political level in recent months, and this will continue in the future, too. Negotiations at a political level are needed when the experts reach a point and they have no authorization to go beyond this point.

[Lambert] Can we expect such a development in the near future?

[Kovacs] I cannot predict anything in this respect. The question now is what negotiation reserves exist in the two sides' positions. I think that the next talks at the level of experts will show the scope of each side in this new situation—because it is clear that the signing of the Hungarian-Slovak basic treaty, its connection to the Agreement on European Stability, and the work of the European Stability Conference in Paris represent a new situation to a certain extent for the Hungarian-Romanian basic treaty, too.

Police in Gyor Discover Duty-Stamp Forgery

LD2803101495 Budapest Kossuth Radio Network in Hungarian 0900 GMT 28 Mar 95

[FBIS Translated Text] Duty stamps are being forged. Police in Gyor arrested two men whom they found in possession of duty stamps of 5000 forints denomination valued at 14 million forints. The duty officer at the county police headquarters told the "From Border to Border" television program that the counterfeit stamps were professionally made, presumably by the offset technique. The forgers were able to exchange them for cash in 16 post offices in Transdanubia.

Gap Between Rich, Poor Widening

AU2803155695 Budapest MAGYAR HIRLAP in Hungarian 22 Mar 95 p 13

[Article by Kalman: "According to APEH and the KSH, Families With Children Are in an Increasingly Difficult Situation—Who Is Considered Poor in Hungary?"]

[FBIS Translated Text] We do not have up-to-date statistics on personal earnings because the tax office is currently processing last year's statistics. According to estimates, some 6 billion forints is needed to maintain a reliable record of income levels. We do not even know precisely how many families are affected by the government's efforts to reduce welfare spending.

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However, we can deduce the size of this group from the fact that, in 1994, some 85 percent of families raising one or more children were entitled to an additional one-off family supplement, which could only be received by families where per capita income did not exceed 15,000 forints.

On the basis of the visible—namely taxed—incomes, the Office of Tax and Fiscal Auditing [APEH] established that the income of 7.1 percent of the 4.34 million taxpayers exceeded a gross 600,000 forints in 1993, and this amounted to 25.8 percent of the legally received 1,249.8 billion forints in the country. As opposed to this, 31.8 percent of the taxpayers whose annual gross income is below 150,000 forints received only 10 percent of the above almost 1,250 billion forints. A very poor stratum is being formed which has hardly any active earners and the vast majority of its income comes from social insurance and welfare benefits. This makes everyday living possible but is not enough to equip their homes with public utilities, to replace their outdated durable goods, or to provide their children with adequate education—one of the Central Statistical Office's [KSH] latest studies states.

The study concludes that a significant polarization took place between 1991 and 1993 in the various income groups in terms of both incomes and spending.

A stratum that can be said to be well-off even by international standards, and which can satisfy its needs on a spectacularly high level, is getting ever stronger. According to the KSH, this is mostly shown by the money spent on durable consumer goods and foreign holidays.

A bigger proportion of the middle classes, including active couples with children, were on the lower levels of the income scale in 1993 and they have been sliding lower during the past years. It seems that during this time, the number of dependents, especially the number of children, influenced the income situation of the families more than previously. The recently prepared report based on data received in March-April 1994 relates to 1993 and, according to the KSH, can be well used to examine the living conditions of people on different income levels.

The reliability of the data received is a key question of the KSH's survey on the income groups. A general tendency of data-gathering from the population based on voluntary declarations is a deterioration of the data supply. While in 1991 some 27 percent of data gathering attempts failed, this figure reached 40 percent in 1993. This mainly applies to the high-income groups, but an increasing number of questionnaires were incomplete because of denied or forgotten items.

According to the study, Hungary's actual income distribution is not known; therefore, no one really knows what proportion of the population can be said to be poor or rich in terms of income. Therefore, the KSH considers poor those people who have less than 50 percent of the income necessary for subsistence level, and it called rich rich whose income exceeds twice the national average.

According to this, there was a 6.7-fold difference in personal incomes in the two extreme categories. In 1991, the difference between the richest and poorest groups—assessed by using the same method—was only 6.1-fold, which indicates that the inequality of incomes has increased in the 1990's.

The income level of various groups is influenced by the size and structure of the households, the structure of the incomes according to source, and the level of income sources.

The average size of the households decreases with the increase in incomes: where it is 3.9 persons in poor families, in rich families it is 2 persons. The proportion of active earners and employed pensioners grows with the increase of incomes. This is 17.6 percent in the lowest income category and 64.2 percent in the highest.

The biggest proportion of unemployed, those receiving child care allowances, adult dependents, and children live in poor households. Accordingly, the so-called dependent rate in poor households is extremely negative: In 1993, 100 earners had 283 dependents.

Poor people spent 55 percent of the money they spent—but 70 percent of their income—on food and living expenses. Poor people consume much more than the national average of food that is not considered nutritionally modern. At the same time, in spite of the high proportion of small children in their households, their dairy, produce, vegetable, and fruit consumption only reached one-third of that of the children of rich groups.

It can be seen already from the activity structure of the household members that the income structure is quite different at the two ends of the income scale. While 36 percent of poor people's personal income came from market sources and 60 percent from social sources (including pensions in the latter), in the case of the rich, 78 percent came from market sources and 13 percent from social sources.

The major part of income inequalities is attributable to the differences in the earner-dependent ratio and the structure of incomes according to source, but the different level of various income sources also plays a role.

A fourfold difference was found between rich and poor groups in the level of market incomes per active earner and employed pensioner. While, as a result of lower level of training or younger age, gross earnings of people in the lowest income category only amounted to 13,000 forints per month in 1993, some 22,000 forints at around the subsistence level, and 28,000 forints was the national average, it amounted to 50,000 forints among the rich, and the entrepreneurial incomes ranged between 15,000 and 76,000 forints.

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Of incomes from social insurance, the income supplement type incomes (sickness benefit, child care fee, and unemployment payments) played a role in reducing earnings inequalities, in spite of the fact that the level of these depended on former earnings.

Background of Charge Against Bishop Tokes Viewed

95CH0164A Budapest MAGYAR NARANCS in Hungarian 19 Jan 95 p 24

[Article by Attila Ara-Kovacs: "Tokes and the Securitate—Agents and Bishops"]

[FBIS Translated Text] *Obviously, the question is not why certain circles gossip about Laszlo Tokes, honorary president of the RMDSZ [Democratic Union of Hungarians in Romania; in Romanian, UDMR], having been a Securitate informant. This is not the first time that such a rumor has been spread. There is hardly anyone alive today in this region of Europe who has not yet been honored with such allegations. What is surprising, and makes one think, is why the Romanian public is now so excited about this tasteless gossip. How could such an old-fashioned lie succeed in pushing into the background somewhat more typical Romanian issues such as poverty, child smuggling, corruption, etc....*

Unquestionably, Tokes has quite a few adversaries even within the RMDSZ. But anyone who thinks that the Bishop of Nagyvarad, with his views and position, is in a minority, is deceiving himself. On the contrary: A large majority of Transylvanian Hungarians still shares Tokes's views, regardless of what the West (including Hungary) or the East (primarily Bucharest) think of him.

Well, this is not entirely true with regard to the latter, because Tokes's legitimate status originates precisely from the fact that he is unable to raise himself above the everyday grievances of Transylvanian Hungarians. Of course, one can debate whether in this age of global thinking it is wise to conduct political—and mostly ethnic—debates at the "regional" level allowed by Balkan conditions. But let us admit that these debates take place solely on a regional level, with little hope of any global solution.

Of course, life would be easier if the elected leaders of Transylvanian Hungarians (including Tokes) would recognize that the relations between Hungary and minority Hungarians is not a unilateral aggregate of responsibilities that can be put exclusively on Budapest's account, and that in a given situation, minority protection would be more efficient if, in response to Bucharest's uninhibited actions, Budapest would not be continually blamed for being incorrigibly inhibited—that is: if Hungarians in Hungary would not be expected to lower themselves to the level of cheap rhetoric and political confusion once they run out of other alternatives for communication. Furthermore, the present situation would be greatly improved if representatives of Transylvania's radical Hungarians would recognize that Hungarians do not have the opportunity (as does, with few exceptions, the cream of Romanian society) to demonstrate a "national" unity that can further glorify their tribal instincts. This is so even if no soul has yet been born who is sensitive enough to differentiate between Istvan Csurka and Gheorghe Funar, or between Lajos Fur and a Smallholders party politician who has already heard that children are not brought by storks but has not yet heard that the sons of his beloved country are born in the same old rustic way as everyone else.

Of course, mentioning these strange pairs was not accidental. I think the darkest paradox of the present political attitude in Transylvania is that quite a few of those who live there seem to think that the true protectors of their rights are those Hungarian politicians who would, if they could, create genuine Romanian conditions in Hungary, too, because they are unqualified to do anything else. Is it any wonder, then, that adjectives fly around in this climate? Anyone can become anything here: Just as an absolute dwarf of Hungarian politics can become a robust Rasputin, in the house next door the most successful adversary of the Securitate can become a victim of the most obvious lie—that he is an agent. But anyone who thinks that the attacks against Tokes are nothing but masterminded acts of the good old professionalism of the secret police,is plainly wrong. True, the Romanian political underworld has already tried many a time to mix marked cards into the stacks dealt to Hungarians, but these acts never brought any real success.

Allegedly, the reason why the attack against Tokes now is more successful is that his adversaries in the background are not only Hungarians but also members of the clergy. These attacks were initiated by a mixed-up history teacher who was tolerated in the circle of RMDSZ parliamentary representatives only because he had been imprisoned in 1956, during the Romanian retributions that followed the Hungarian revolution. But it seems that the measures taken against Tokes were really initiated by Kalman Csiha, Reformed Bishop of Kolozsvar, who had given evidence of more deliberate political ideas than those of his Nagyvarad colleague, nonetheless proven to be a weak man—to put it mildly—during the 1980's when civil courage was a very risky matter. And then, of course, during the months of the 1989-90 political change in Romania, Tokes could not restrain himself and tried to use petty and personal attacks to get even with Kalman Csiha who, among other things, won the bishop's seat in Kolozsvar against Tokes's father.

Well, this is the high level at which the self-organization and interest-protection of Transylvanian Hungarians is taking place. Of course, more important antagonisms can be detected behind the struggles for prestige in the areas of political culture, radicalism, sensibility, entrepreneurship and—last but not least—patriotic commitment. Incidentally, the latter now functions as a dividing line, because, unfortunately, any current RMDSZ program was created for the sole purpose of uniting ethnic

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interests. The other problems, regardless of whether they were on the level of civilized society or just materially necessary, were actually ignored by the autonomist partisans of patriotic commitment. Or rather: They attempted to push their solution onto Budapest, i.e., the state secretary of the Office of the Prime Minister. Not that they lacked any good intentions, especially since Bela Marko took over the party leadership so that they could try to overcome the ethnopolitical monomania within the framework of an extensive program—but they were successfully torpedoed again and again by the radicals.

No one knows how much truth there is in the suspicion that the RMDSZ (which just celebrated its fifth birthday) is facing a change in its leadership and an amendment of its party constitution. This entire guessing game may well be just another provocation, but a few Romanian opposition parties expressed serious concern that the RMDSZ may break up into smaller parties. For instance, Dinu Patriciu, leader of the Liberal Party-93, mentioned the other day that Laszlo Tokes is seemingly aspiring to become the actual chairman of the RMDSZ, i.e., wants to depose Bela Marko. However, if Marko is defeated and Tokes, who is considered persona non grata even by the opposition, assumes a key position, then—Patriciu argues—the RMDSZ's positions would be undermined in the Democratic Convention, which rallies the opposition parties. Thus, the opposition would have to be content at the next presidential election to have only the remnant groups of the RMDSZ with little influence. The liberal party mentioned would consider such cooperation only with the Liberal Circle, which exists only symbolically. It is easy to foresee that Hungarians in Romania would, in the end, remain outside of the flow of events, and would have absolutely no say in national politics.

Let us hope, then, that such horror scenarios are merely creations of an uninformed imagination and that the RMDSZ will indeed be able to avoid the worst. Because although the loudest cries of history are usually related to real and alleged agents, it is a truism that chances can be destroyed not only by malicious people but also by well-intentioned eager-beavers.

Defense Minister, Military Commander Interviewed

95CH0176A Budapest MAGYAR HONVED in Hungarian 24 Feb 95 pp 6-7

[Radio interview of Defense Minister Gyorgy Keleti and General Janos Deak, commander of the National Defense Forces, by Karoly Avar; place and date not given: "Heard on 'Encore'"]

[FBIS Translated Text] *Following last week's cabinet meeting, the defense minister and the commander of the National Defense Forces made statements on Radio Kossuth's Encore program. We present excerpts from those statements.*

[Avar] Why is it necessary to change the command structure of the National Defense Forces?

[Keleti] The government issued a resolution that provides for a change in the supreme command. This is important because we are facing a reform of the Armed Forces, and do not want to only introduce mere organizational changes; we want also to simplify the military command system. In the concept for setting up a new command for the National Defense Forces, several levels of command are eliminated the functions of which would become superfluous in the course of implementing the reform of the Armed Forces. This means that the staff will function under the National Defense Forces Command, and there will also be direct group commands for the individual service branches. The Human Group Command, a new organization, will be established. It will have responsibility for dealing with human, i.e., personnel, issues in the various areas that had been dealing with those issues separately.

[Avar] How is the reform to be interpreted in terms of politics, strategy, and security, and why is it necessary now?

[Keleti] We had to examine many factors. One was to see what could be accomplished with the national budget's allotment for national defense. So, we came to a joint decision with the National Defense Forces Command that we must implement structural changes, creating organizational units that will give us a smaller army that is more combat ready and easier to command, one that can be maintained under the present budget resources.

The second factor was that we considered, of course, our region's sources—or potential sources—of danger to security. Jointly, together with the staff but also soliciting the opinions of experts on security, we arrived at the decision that such a reorganization is possible at this time without jeopardizing our security and sovereignty.

The third fact was that the government, with the unequivocal support of the National Defense Forces, is totally committed to having Hungary become a member of NATO. We think that reorganizing the National Defense Forces Command in this way may facilitate our integration into NATO.

[Avar] General Deak, the key words are: more flexible, smaller, easier to deploy. These are comparative adjectives, are they not? Obviously, we must indeed compare them with the earlier situation, must we not?

[Deak] This is a very complex and long process of planning and preparing. A reform of the Armed Forces is a difficult proposition throughout the world. Indeed, we are thinking in terms of smaller armed forces, both in the long range and midrange. Of course, we compared our present situation and the future National Defense Forces with many armies. Countries of approximately the same size, such as Holland and Belgium, were included in our

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comparisons, but ours will be a Hungarian army nonetheless. Let me note in connection with flexibility that the issue here is not only a smaller army or its technical equipment or mobility but also that the various systems (mobilization, selective service) also represent a certain quality index, just as do the personnel ratios.

So, we are progressing toward a professional army, and the ratio between officers, noncommissioned officers, and enlisted personnel is extremely important. The issue is not simply reorganization—much less dislocation. This is not the issue, and we would very much like to avoid this. Of course, we cannot avoid, for instance, abolishing some military organizations. Conceivably, this will be included in the reform. The main issue here is a change of systems, a different attitude toward the duration of service, a change in the training structure, i.e.: a new system of combat readiness, security, logistics, and command. The present situation is that the command of our Armed Forces, including the staff, is very much removed from the troops. And then there are two levels of command. There is a middle level of command—a military district command and an Army Corps command, and then there are the troops.

[Avar] Mr. Minister, you made reference earlier to the financial conditions that no doubt put limitations on any reform.

[Keleti] Many people think that joining NATO will cost us a great deal. But it is, rather, our national defense that costs a great deal. Even if we did not apply to NATO, we would still have to spend much money on, on the one hand, the improvement of the living and working conditions of our professional soldiers; and, on the other hand, on the improvement of the situation of civilian employees and the quarters, clothing, and food for our enlisted personnel. This still requires a smaller amount in comparison to that required by the modernization of military technology, which we will have to begin implementing sooner or later. This issue will be affected by our desire to join NATO in that we will have the capacity to acquire and use new equipment wherever there is a need for NATO compatibility. Obviously, this takes a lot of money...

[Avar] But this is to be understood as a long-term project. It is not going to happen in one or two years.

[Keleti] That is correct. We have some ideas on a long-range implementation, and we are planning to present to parliament our midrange and long-range plans for the development of our Armed Forces and our military technology at the end of this year. This is very important because a parliamentary decision would also provide a guarantee for the availability of funds.

[Avar] A downsizing of personnel was also mentioned. It has been repeatedly stated during the past months that the duration of service must be shortened, and that can also be considered a form of downsizing.

[Deak] Many experts have already dealt with this. We could live with a service time of nine to 10 months, under certain conditions. The first condition is money. This would be feasible if we could use contracted soldiers to fill the positions that are necessary for continuous operation. If we have the money, the Army will be ready, as of 1996, to decrease the duration of service for enlisted personnel to nine to 10 months.

[Avar] Mr. Minister, downsizing will affect part of the professional personnel, immediately creating tension. Let us think of the problems of the former Soviet Army. Of course, that is an army of many millions of soldiers, and it is hard to make a comparison with our army. Is it not possible for a number of officers to find themselves in a situation in which they will not have a place to live, or something like that?

[Keleti] I think that the professional personnel has always been the backbone of any army, and in order to make our army stable as regards moral, military, and professional issues, we need very well-trained and well-prepared professional soldiers who take their oaths seriously. We do not want to let a single professional soldier go. We want to keep everyone—but at the same time, I always ask: What are we offering our officers who accept the additional responsibilities, difficulties, and family problems that go hand in hand with possible transfers? Unfortunately, we cannot offer much under the present financial situation, but we can promise one thing: namely, a tangible improvement, within three or four years, of the living conditions for those who are with us on the road to the development and progress of our National Defense Forces and those who accept these difficulties. I am saying in three or four years because this depends not only on our military leaders or ministry officials but, rather, on society as a whole. I am confident that society will finally give the professional soldier his proper due. He will finally be a respected member of society, not only in words but also financially and in terms of his living conditions. For this reason, it may be worth it for them to stay with us even if they have to accept difficulties for a few years.

Financial Problems of Military Technical College

95CH0176B Budapest MAGYAR HONVED in Hungarian 24 Feb 95 p 7

[Article on remarks made by Major General Janos Molnar, commander of the Janos Bolyai Military Technical College, to members of the National Defense Committee of the National Assembly, by Agnes Hajdu: "What and How Much?"]

[FBIS Translated Text] National Defense Committee chairman Imre Mecs, Committee deputy chairman Tamas Wachsler, and Committee member Dr. Janos Molnar visited the Janos Bolyai Military Technical College recently. General Dr. Tivadar Farkas, the college's commander, provided the guests with information on the life and activities of the institution, and answered their questions.

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"The college's 1994 budget was one billion forints. In addition, there was a compensation of 72 million forints for the construction of Highway 5 on the premises, and the in-kind assistance of 320 million forints received from the local government (in connection with the construction and other activities)," the commander said in reply to questions.

The general then continued. "The money is allocated as follows: the major part of our budget, 69 percent, is used for wages and salaries; 10 percent for operations; and 17 percent for clothing. Since we received 72 million forints last year, we were able to use 4 percent for development and maintenance.

"Yet, we closed the year with a deficit of 30 million forints. We were unable to pay for milk, meat, and bread, and the suppliers stopped delivery. In January, I was contemplating whether instruction should be halted (and I reported this to my superiors)."

Gen. Farkas also said that they use per capita quotas in planning the budget for food and clothing, but the college is underfinanced even in these areas, receiving only 80 percent of the requested amount. It also happens that the extra amounts used for wages and salaries are late in arriving or do not arrive at all.

"Providing textbooks is another problem. I cannot get our own textbooks printed because of a lack of paper, and must halt our printing operations because of the danger of accidents posed by our old machines," continued the commander. "I try to solve this problem by cooperating with a college of the Union of Budapest Polytechnic Schools, which has a printing office that can handle our requests. We have quality educational tools, but in 1991 our college was 20 years behind the technical level of the infrastructure. We had no computers, whereas now we have about 170 to 200. Unfortunately, certain departments were put on the back burner, because we cannot develop the entire school all at once. I am very glad when someone from the ministry visits us or some important event takes place, because then I have a good reason for renovating some frequently used sections of buildings, taking the money away from something else."

In reply to the National Defense Committee's question as to how much money he would need for solving the most urgent problems, General Farkas merely said: "Since I do not know how much money I will have this year, I do not know how much I need in relation to what. I hope to have a budget in February, although we usually have to wait until May."

Of course the college has not only problems but accomplishments, as well. The members of the National Defense Committee saw some of these when visiting the information center and receiving information on the situation in information training, and when visiting the recently opened CAD-CAM [expansion unknown] lab and looking into the training there. The guests visited the foreign-language lab, the Lybold lab, and the antiaircraft rocket department's instruction lab. Imre Mecs summarized the experiences of their visit as follows:

"We got very good impressions. The college's administrators are very ambitious, and their work is of a relatively very high quality. What we saw there will help us a great deal in making decisions concerning the future of higher education in the military, because the law on higher education applies here, and from the aspect of building or developing the civil society, the military colleges must be integrated into the system of higher education. It is good that the college administration will seize any opportunity to improve finances—even outside of their budget—but this does not mean that they do not need support in their efforts. Indeed, we want to provide additional funds so that the present level of quality can be adequately maintained throughout the college. It is not insignificant that Bolyai College is first to succeed in getting accepted throughout Europe the engineering degree that it offers."

MSZP MP on Local-Government Coalitions

95CH0127C Budapest UJ DEMOKRATA in Hungarian 5 Jan 95 p 35

[Interview with Ildiko Lendvai, member of parliament and chairwoman of the MSZP's Budapest Committee, by Daniel Bodnar; place and date not given: "There Is No Resentment"]

[FBIS Translated Text] [Bodnar] What was the Socialist Party's [MSZP] most important consideration in forming coalitions within local governments?

[Lendvai] One consideration was how to form workable local-government bodies. This depended in part also on interpersonal relations: on where we were able to put together, for a party coalition of any given color, a leadership that could make the local-government body function. That was relatively independent of politics. In the other consideration, however, politics did play a role, because in many places—in the Budapest districts as well as in the provinces—cooperation between parties with similar programs developed already before the elections. In Budapest, such preelection alliances were created most often between the SZDSZ [Alliance of Free Democrats] and the MSZP, and a direct consequence of these alliances was the formation of coalitions after the elections.

[Bodnar] What is the explanation behind the formation everywhere in the country of local alliances that are strange or even bizarre, in comparison with national politics?

[Lendvai] The basic reason is that local governments, thank goodness, are less politicized than is the parliament. In the local-government councils, even parties noted for their sharp debates and disputes in parliament are capable of joining forces in the interest of a single district, municipality or county. I will mention yet

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another reason: During the local governments' previous election cycle, the parties espousing different ideologies had a good opportunity to get to know one another and to determine how well they could cooperate. Their experience was that, as experts and also at other levels, they were able to work together much better than what party limits would have dictated.

[Bodnar] Can it be said that, when forming coalitions, the parties took primarily local considerations into account?

[Lendvai] Yes, that was unambiguously their primary motivation. In the case of the MSZP there was only one—how should I put it?—central expectation. And even that was formulated more as a bit of advice to the local organizations. It was to avoid, if possible, joining a coalition in which the MIEP [Hungarian Justice and Existence Party] was also a member.

[Bodnar] Was a similar demand formulated regarding the Workers' Party?

[Lendvai] No, not against them. But let me repeat: Even in the case of the MIEP, it was more of a recommendation from party headquarters. There was no question of any demand.

[Bodnar] Will it not cause problems that in many places the composition of the municipal council differs from the mayor's party affiliation?

[Lendvai] This will undoubtedly create problems for the councils, but I think it will also be an advantage from the local residents' viewpoint. Namely, where the picture is so variegated, the municipal councils will continually have to seek the support of the local residents, and this will force the councils to work more effectively.

[Bodnar] In your opinion, will these strange coalitions be able to work? Are you optimistic about them?

[Lendvai] Yes, I am optimistic. At the same time, I would not be surprised if in one or two places it might prove difficult to elect a deputy mayor or to form a grand coalition, like the one in the 11th District [of Budapest].

[Bodnar] Is it conceivable that, under the influence of the rapprochement experienced at the local level, a similar rapprochement between the political forces will take place also at the national level?

[Lendvai] I do not believe that local governments in themselves will bring about a rapprochement in national politics. However, specifically because of the local-government councils' varied composition, and despite enough examples during the past four years, I do believe that a frontline will not be formed between the local governments and the central government, and that, in the final analysis, it might be a good thing for national politics as well.

[Bodnar] According to rumors, there is resentment within the MSZP against the SZDSZ, for entering into coalitions with center-right forces in many places in the provinces.

[Lendvai] I do not know of a reconciled and agreed standpoint on this issue within the MSZP. The fact is that the possibilities of forming coalitions between the two parties had been explored particularly in the county councils, and we had hoped to enter into coalitions with the SZDSZ in many places. But I think we have no cause to be resentful where things turned out differently. For one thing, often an MSZP-SZDSZ coalition would not have been enough, numerically, for a majority, and therefore both parties—quite naturally—explored other possibilities. At the local level there might be many other considerations besides politics. Consequently, I would not use the word resentment. However, I would have welcomed more MSZP-SZDSZ coalitions, primarily because of the similarity of our party programs.

[Bodnar] According to Laszlo Boldvai, the chairman of the Nograd County MSZP Committee, the formation of the five-party coalition (of the MDF [Hungarian Democratic Forum], SZDSZ, KDNP [Christian Democratic People's Party], FIDESZ [Federation of Young Democrats] and FKGP [Independent Smallholders Party]) in Nograd County and the subsequent ousting of the MSZP from power in the county council should be considered also by the MSZP's national executive committee. In his opinion, it is also necessary to investigate whether the resolution [to form the coalition and oust the MSZP] wasn't suggested by SZDSZ headquarters.

[Lendvai] This matter can be discussed also by the national executive committee, but it is not a dramatic development, in my opinion. I do not think the local organization of the SZDSZ adopted its resolution on instructions from party headquarters. I am not concerned that this affair might create tensions in national politics. Admittedly, we did grumble in several counties when we failed to form a coalition with the SZDSZ. But I wish to repeat my doubts that anyone might have cause to be resentful.

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Kwasniewski Responds to Walesa's Allegations

LD2803193495 Warsaw TVP Television First Program 1730 GMT 28 Mar 95

[From the "Wiadomosci" program; relayed by Warsaw TV Polonia Network]

[FBIS Translated Text] As the president's spokesman has said, Lech Walesa demands that every politician consult his future statements with the minister of foreign affairs before traveling abroad. The president yesterday accused the leader of the Social Democracy of the Polish Republic [SdRP], Aleksander Kwasniewski, of exceeding his prerogatives when, in the course of a visit to Germany, he criticised the noninvitation of President Walesa to the commemorations of the 50th anniversary of the end of World War II. Aleksander Kwasniewski says that, as chairman of the largest parliamentary grouping, he had the right to express an opinion on this subject.

[Unidentified correspondent] In the view of the presidential spokesman, every politician is perceived abroad by his interlocutors as a representative of the Polish state.

[Begin Leszek Spalinski, presidential spokesman recording] Every one of these persons [words indistinct] acts, whether they want this or not, acts in the name, in the name of the Polish state. And in making contact with representatives of another state they are obliged to respect the principles of Polish foreign policy, are obliged to consult with the Ministry of Foreign Affairs on their public statements. [end recording]

[Unidentified correspondent] The president accused Aleksander Kwasniewski of having, by himself, sought the invitation of Lech Walesa to the commemorations. In his view, this could have been read as a statement in the name of the president. The president expects clarifications from the Sejm speaker on the subject of the Bonn statements by Kwasniewski.

[Begin Kwasniewski recording] I cannot imagine that, even if a representative had hitherto been critical in relation to President Walesa, when he now speaks well of the President Walesa abroad, that he should suffer consequences. Well, this is a kind of madness which I do not understand. [end recording]

[Unidentified correspondent] The presidential spokesman replied that the point is not whether a politician speaks well or badly of the president abroad, but that foreign policy ought to be coordinated by the Ministry of Foreign Affairs. The minister of foreign affairs was today unavailable to journalists. His press spokesman did however say that at present no regulation forces parliamentarians to consult with the Ministry of Foreign Affairs before foreign trips. The head of the Sejm Foreign Affairs Commission, Bronislaw Geremek, did not wish to comment upon the dispute between the president and the leader of the SdRP.

Polish Negotiator on Efforts To Join EU

MS2803102195 London FINANCIAL TIMES in English 28 Mar 95 p IX

[Article by Anthony Robinson, incorporating interview with Jacek Saryusz-Wolski, Poland's plenipotentiary EU negotiator: "Judge Us by Our Health, Not Wealth"; from the Financial Times survey on Poland]

[FBIS Transcribed Text] "For many British people the European Union is seen as a threat to sovereignty. For Poles, by contrast, the desire for quick entry is seen as an expression of our newfound sovereignty, of our newly-gained freedom of choice," says Jacek Saryusz-Wolski, Poland's plenipotentiary EU negotiator. "We want to join for the same reason that the original six members set up the iron and steel community, to prevent another war," he adds.

Membership of the EU is important economically. "But we see our future economic prosperity in a wider geo-political context. Only stability and prosperity produce the sort of democratic society which assures security in the wider sense. That's why we want economic integration," he adds.

He has no illusions about the difficulties involved in facing up to EU competition. But he insists "our preference is for early entry followed by a lengthy transition—on the Iberian pattern. Spain joined in 1986 and was given a 10-year transition period to catch up."

In words which he has clearly used in many a debate with Brussels, he says "we would like to judged on our health not our wealth". In terms of the convergence criteria agreed at the Maastricht summit Poland already performs better in critical areas than several existing members, including Ireland, Italy, Belgium and Greece, which all have far higher levels of indebtedness. "Inflation is the main area where we are out of line with the criteria," he adds.

Warsaw hopes to begin negotiations in 1997 shortly after the next inter-governmental conference and hopes to join the club by 2000. "But as yet we have been offered no dates and the Essen route map has no clear road signs, no indication of when and where the bus stops and no traffic code," he complains.

"What we want is clear conditionality, say two years for the steel industry and 10 years to get agriculture into shape and clear benchmarks to judge our progress. We really must enter the EU within the lifetime of the generation which got rid of communism and has made the changes to democracy," he adds.

"Poles have already wasted a decade. We achieved maturity in 1980, but because of the external constraint imposed by the Soviet Union we got martial law instead. We feel that western elites are too inward-looking. for us it is more important to re-unite Europe than to perfect the technical details. We reject 'the deepen or enlarge'

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dichotomy. We believe there must be synergy between the two so that a bigger united Europe is better able to compete globally with the Asian Tigers and Nafta," he adds. On the trade front, Germany replaced the Soviet Union as Poland's top trade partner in 1990, as soon as the internally convertible Zloty made it possible for Poles to trade freely across the border. Germany alone imported more from Poland last year than Poles exported to the EU as a whole in 1989.

The European Commission takes the doubling of Polish trade with the community over the last five years as proof of good intentions. The Poles, happy that 63 per cent of their exports now go to the EU, from which they take 57 per cent of total imports, still see the trade glass as only half-full.

"The association agreement and the Copenhagen declaration on freer trade helped. But Polish exports are still well under 1 per cent of total EU imports. It would have made a big difference, especially at the start of our economic transformation, had the EU not restricted trade in steel, textiles and foodstuffs where our competitive advantages were greatest. In 1990 we still had a big trade surplus in agricultural products. Last year we had a deficit of $330m. They can do better than that," Poland's toughest negotiator in Brussels concludes.

Daily Likens Strzembosz to 'Peace Dove'

WS2803115795 Warsaw ZYCIE WARSZAWY in Polish 28 Mar 95 p 1

[Commentary by Piotr Zaremba: "Peace Dove?"]

[FBIS Translated Text] The highlight of Adam Strzembosz's campaign is that he has finally decided to run [for president]. That is a significant achievement for the chronically undecided right wing.

Each subsequent candidate may now be accused of being the one who is destroying the unity of the right. Janusz Korwin-Mikke has also decided to run, yet his declarations leave room for retreat. Fielding other politicians from the same camp would not be treated seriously. Even if they did have features or opinions which the gentle Strzembosz lacks (his stance on the death penalty is a good example).

Of course, not everyone thinks that way. Hence the sharp attack launched by Jan Parys, who is even ready to risk war between rightist candidates to undermine Strzembosz's concept of practicing politics. That concept provides for a far-reaching compromise. Not so much during the actual elections, because the logistics of the campaign will sharply split the candidates of the right wing and the Freedom Union; rather, after the possible victory. Strzembosz could stand a greater chance than anyone else to enter mediation with the quarreling leaders of nonpostcommmunist parties. All he needs is an opportunity.

Strzembosz's style has its weaknesses. In an attempt to win the support of everyone, he may win the support of none. Projecting future compromises and attempting to win over some UW voters, he may ward off radical anticommunists. Plus, there is still Lech Walesa. He will have a sharper tongue and come up with more startling ideas. Unless one takes for granted the old theory that "Poles do not like wars." Professor Strzembosz seems quite fit to act as a peace dove.

Oleksy's Persona, Political Past Examined

95EP0061A Warsaw POLITYKA in Polish No 7, 18 Feb 95 p 9

[Article by Mariusz Janicki: "No One Is Born a Marxist"]

[FBIS Translated Text] There is certainly one thing that Jozef Oleksy cannot change: His past. Therefore, he is trying to use it to his advantage. And he is a wily adversary. In the first 43 years of his life Oleksy said and did much against the subsequent six. Now he is making up for his losses with great and admired adroitness. He is wrestling with history, his own and general, on his own.

Even earlier Oleksy's life had been marked by another divide. As a young man "of a worker family" (father carpenter, mother Podhale knitter), he abandoned his goal of becoming a clergyman and enrolled at the Main School of Planning and Statistics, then reputed to be the most procommunist institution of higher learning in this country, a place where, even during the martial law era, it was very easy to find persons willing to break up illegal meetings in the apartments of the oppositionists. But he was an academic and wanted to stay one.

He succeeded. On having graduated, Oleksy left for postgraduate studies in Strasbourg and Pescara immediately after the December events [December 1970, shipyard disturbances]. He learned four languages: English, German, Russian, and Spanish. In 1977 he defended his doctoral dissertation. And subsequently he helped 60 students earn master's degrees. He wrote a dozen or so scientific articles. That was Oleksy's first vita, perhaps a springboard for getting a good start owing to his educational background, to make up for lack of "pull."

But then the academic switched to a new career. "I signed up for the party rather late, in my junior year," he once said at a meeting with Biala Podlaska youth. At the time, there and for him, it could really have been late. That was in 1968, not a too good year for joining the party "to be left in peace." But Oleksy, then 20 years old, did not want to be left in peace. While a student, he advanced to high offices at the Socialist Union of Polish University Students, and later he became secretary of the PZPR's University Committee. Nowadays he says that he had problems in getting a red [PZPR membership] card, because he did not profess materialism. But earlier, at the abovementioned Biala Podlaska meeting, he described this as follows: "I grew up in a Catholic family

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and some time passed before I changed my world outlook under the influence of the knowledge and experience I gained and of my sagacious professors. In general, people in Poland are not born Marxists."

From an Official to Party Secretary

Right after earning his doctorate Oleksy joined the Department for Ideological and Educational Work at the PZPR Central Committee. In 1981 he became a member of the Rapid Propaganda Reaction Staff, established on the recommendation of Comrade Stefan Olszowski. A confidential memo of 25 March of that year mentions the objectives of the Staff: "A skillful utilization of 'whispered' propaganda needs to be considered, e.g., as performed by groups of agitators. Events also point to the need to persist in a kind of propaganda aggression when so warranted in drastic cases, with respect to particular individuals. This requires resorting to needed facts concerning such individuals."

Soon afterward Oleksy left the Central Committee because, as he claims, he could not accept the methods pursued by his department head, Walery Namiotkiewicz. But his departure was only for a short distance, since in the period between June and the martial law declaration [13 December 1981] he worked as an adviser at the Office of the Council of Ministers—a kind of waiting room, then as now.

In 1982, a year when many people threw away their party cards Oleksy, a Ph.D. in economic sciences, became the head of the Office of the Central Audit Commission under the PZPR Central Committee. That was still an official rather than a political post, but a high one, for those times very high. That commission, as Oleksy described it himself, was concerned with checking whether the party was doing what it was proclaiming. It is difficult to say which was better for this country, tracking the deviations or overlooking them, and which of these options was followed by Oleksy.

By the end of 1986 Wojciech Jaruzelski appointed Jozef Oleksy first secretary of the Biala Podlaska PZPR Voivodship Committee, and Oleksy arrived there in the winter of 1987. He was introduced and presented to the comrades by Tadeusz Porebski of the Politburo, who indicated that Oleksy became "the first" in the "light of the resolution of the Third Central Committee plenum" (that is, soon after the futile—though depicted as a success of reformers—10th Party Congress). He was completely unfamiliar with Biala Podlaska Voivodship, to which he was appointed by fiat.

In My Case It Is Different

This bothered a telephone caller, who pointed it out to the future Speaker of the Sejm. Oleksy answered (stenographic record in SLOWO PODLASIA, Oleksy's favorite periodical), "Your reaction was to be expected. In the past, individuals appointed by the party to head regions to which they were complete strangers guided themselves by totally different objectives. Some of them did not give a fig for regional affairs and cared only for good relations with the national party leadership, to which they looked up with the object of furthering their career. In my case it is completely different, but I don't want to go into details. Is that enough for you?" The caller said, "For now, yes."

This brief comment already reflects the style of the future Speaker of the Sejm: To nod, to flatter, to admit partially that the question is warranted, and to win the other person over but in such a manner that the latter feels well-treated. In another similar conversation, Oleksy claimed that he worked from morning till 2200 hours, something that even now that he is Speaker of the Sejm, is being confirmed by employees of the Sejm Chancellery.

While in Biala Podlaska Oleksy kept busy, cut inaugural ribbons, chided the backward local agriculture, held so-called warning and inspiration talks (especially after the referendum backfired at the authorities), monitored the "gleanings of telephone calls," received visiting comrades from Belorussia, and hunted game, i.e., did what any party secretary was supposed to do. Certainly he wanted to show a human face. There was no problem he could not settle; the published stenographic records of his talks with the public never contain the declaration, "I can't do anything about it." That was a magic reality. Ultimately the Central Committee's Press Department pointed out to Oleksy that he was using the media too much—an eloquent comment in an era when indoctrination was the buzzword.

Oleksy met several times with the Bishop Ordinary Janusz Mazur. After one of such summits he said, "After all, we do not differ about basic moral canons and national interests." This pointed to Oleksy's courage, though one does not know whether vis-a-vis the Roman Catholic Church or vis-a-vis the communist party. Another success was the papal visit in 1988 and the beatification of Father Honorat Kozminski of Biala Podlaska.

Oleksy's weakness is personal exhibitionism. He has always talked a lot about himself. He did not always have to do that, and since that is so, he wanted it that way. Perhaps he did not realize that pressing the flesh and showing the good side of the organization, combined with his position as PZPR secretary, was bound to make him, in one way or another, use the "politgramota" jargon [communist newspeak]. When asked at a meeting in his voivodship, "Why is it that only one ruling party exists in Poland?" he answered, "There is no need for competition, that is, for establishing antagonistic parties, because the objectives we are pursuing are defined by overall national interests.... No person of sound mind in Poland is undermining our goals.... Certainly a return of capitalism in Poland is impossible. Socialism, but an advanced one, is the objective model of societal development." Incidentally, the subject of that particular happened to be "There Are No Taboo Subjects."

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To the Left of Kwasniewski, to the Right of Miller

It was the end of 1987 and the PZPR had yet one about one and one-half years of life and some six months of agony left. It was at about that time that Oleksy received a group of nonparty members, and it was just then, perhaps the only time in public, that he defined himself as a communist, saying, "Communists should always be under the control of nonparty members."

As late as in October 1988 at a meeting with railroaders in Malaszewicze, Oleksy said, "Thought stereotypes linked to the reform process reach far back, to the extent that they undermine the validity of selecting the socialist road. Many citizens are preponderantly motivated by a fetish of the West, especially as regards market issues." A few weeks later Alfred Miodowicz was to invite Lech Walesa for a television appearance dooming the system of society, and several months earlier Dr. Leszek Balcerowicz cosigned the Appeal of the Thirty, which firmly predicted that doom. That was seven years ago.

In the "round table" era, in 1989, Oleksy "regretfully" said farewell to his voivodship. He became a minister in the government of Mieczyslaw Rakowski. From March until September he handled contacts with trade unions, and he was no easy negotiator. He remained a member of the PZPR until its very end. It was anyhow too late to withdraw from that party so as to benefit politically. He joined the SdRP [Social Democrats of the Republic of Poland] in January 1990, and since 1991 to this day he has been its vice chairman. He is to the left of Kwasniewski and to the right of Miller [Leszek Miller, former PZPR-er, SdRP secretary and minister of labor and social policy in Pawlak's government] as his fellow party colleagues put it; there are no two politicians between whom Oleksy could not position himself in the middle. At various conferences, too, he sits in the middle. But he is decisive and flexible, SLD people add.

In 1993 he became Speaker of the Sejm, the second most important person in the government. At once he became very proactive so that nobody would overlook his importance in that succession. He relieved Ryszard Stemplowski, well known for his rather authoritarian rule, of his post as chief of the Sejm Chancellery and replaced him with a new chief to whom he appointed two deputy chiefs as an innovation. As another innovation he established the Office of the Speaker (12 employees) and he keeps three secretaries as press assistants for public relations (including Gwidon Syczewski). The head of the Office of the Speaker, Tadeusz Janusiewicz, is at the same time deputy chief of the Sejm Chancellery. Oleksy organized this whole thing deliberately so that no one would doubt who is the most important. "The difference between Wieslaw Chrzanowski [former chairman of the Christian-National Union, former Speaker of the Sejm] and Jozef Oleksy is that when Chrzanowski used to visit the president, no one knew about it, but Oleksy goes there for a visit, he is angry because not everyone knows about it," said a higher official in the Chancellery. "At times, trying to attend to all of the Speaker's contacts, to promote his blown-up image, is just too exhausting to us."

A well-known opposition politician said, "Jozef Oleksy has been pursuing for the last two years a continuing electoral campaign. There is no meeting of more than 100 persons to which the Speaker does not at least dispatch a letter." That is true. To be sure, in the June 1989 elections Oleksy campaigned and lost in the second round, which was rather inglorious to the PZPR (following the collapse of the "National List"), and in 1991 he was defeated by Gabriel Janowski in the Siedlce-Biala Podlaska electoral district, but in 1993 he won in the Siedlce district with nearly 25,000 votes.

A Universal Statesman

In popularity ratings Oleksy's standing remains impressively stable at a decent level. In January 1993, according to the Pentor Poll, 39 percent of the respondents favored him, and the same 39 percent did so again in March 1994! Later there were slight fluctuations but his ranking continued to be in the middle of the scale, without those sudden considerable fluctuations that have been the fate of other politicians. Here, too, as is his custom, Oleksy is in the middle. It looks like Oleksy is running in the valley and taking shortcuts, while others unnecessarily climb steep mountains only in order to fall off them later. Ryszard Czarnecki, a Christian-National Union leader who is everything that Oleksy is not (and vice versa), said thus of the Speaker: "His strength is his weakness; that is, he tries to be good and meet the varied expectations of everyone, even the conflicting ones. In the long run this may harm him. Oleksy's problem is his past as a PZPR secretary. I think that to him in particular this is a bigger problem than, say, to Leszek Miller. But Oleksy is a modern politician, and this does not constrict his opportunities."

The keyword applying to Jozef Oleksy is "responsibility." And indeed it would be difficult to find in his past any jejune or extravagant actions or comments diverging from the mainstream of one era or another. When the need was to be a good communist, he was one; when the need is to be a good democrat, he is one. It can be very likely assumed that he will never badmouth the constitution. Jozef Oleksy is a man who believes in his talent and enjoys demonstrating it. He treats the external reality as decorations that must be changed, especially considering that the public did not reject individuals such as he, even though it had several occasions to do so. Oleksy's abilities transcend any system of society, whether communist or democratic; this is not being said ironically.

He is an important figure who elicits respect, sometimes even physical respect. It seems as if only Lech Walesa can shout at him. That is because Oleksy makes Walesa nervous, like an animal of the same species poaching on the other's spoor-demarcated hunting territory. The more so considering that each day Oleksy is gaining in

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self-assurance, although he is too intelligent to show it explicitly. With each moment he is growing more distant from the "guiding force" and becoming an ideologically universal statesman.

Can the past impede anyone nowadays? The liberal European culture bids forgiveness, forgetfulness, erasure. It would be good at least if the individuals concerned would not claim that there is nothing to be forgiven for because they always were all right. Maciej Jankowski [head of Mazowsze Solidarity office], a man in whom gentleness and conciliatory spirit are not striking character traits, said, "I am not biased against anyone in advance. It is deeds that count. I do not deny that I feel mistrust toward people like Oleksy. It is difficult to believe that others might not be better. One thing is certain: He will say more than did Pawlak. I only hope that he will be speaking the truth."

Opposition on Results of Coalition's Policies

95EP0062A Warsaw TYGODNIK SOLIDARNOSC in Polish No 8, 24 Feb 95 pp 12-13

[Article by Katarzyna Klukowska (Part I) and the editorial board of TYGODNIK SOLIDARNOSC (Part II): "The Opposition Evaluates: 'What Else To Screw Around With, Gentlemen?' (Quoted from a song by Wojciech Mlynarski)"]

[FBIS Translated Text] The one and one-half years of governance by the SLD-PSL governing coalition (SLD is the Democratic Left Alliance and PSL the Polish Peasant Party] have been, according to its leaders, an unbroken series of achievements. However, this flattering self-appraisal of the Pawlak government is not being confirmed by the findings of public opinion surveys. We must admit that we too do not like the government's performance? Why? For many reasons. Below are some of them.

Part I

According to Stanislaw Alot of Solidarity's National Committee: "This government has been bad for Poland; it has broken its own preelection promises."

A glaring example is the stagnation of unemployment, since any decline in it is achieved solely by deleting the unemployed from lists in employment offices.

The 15 months of Pawlak's government have resulted in a surge of protests that reached their greatest peak since 1980. The situation of worker families has worsened, taxes have risen, and employees were deprived of some of their social benefits, e.g., illness allowances were reduced, most families were deprived of family allowances, and totally insufficient funds were allocated for social protection.

Employee participation in decisions on enterprise privatization was reduced by deleting references to the privatization law from the Pact on the Enterprise [a pact among the government, labor, and business].

The situation of state employees has worsened, and none of the predicted reforms of health care, education, and social insurance has even been initiated.

In addition, funds for local governments were restricted while at the same time expanding centralized governance of finance and administration.

According to Stanislaw Michalkiewicz of the Union for Real Politics: "The Pawlak cabinet has impeded Poland's switching onto the track of the free-market economy."

Under the pretense of protecting poor families, domestic manufacturers, and peasants, the government has introduced etatist methods of directing the economy. In this connection, it resorted to an ostentatious exploitation of state resources. It differs from the previous governments in that while they conducted that exploitation discreetly, it does so without beating about the bush.

The press criticisms of the coalition, especially by GAZETA WYBORCZA, have been kind of skewed; the PSL was attacked while the SLD was clearly spared, which is not surprising considering that as early as in 1990 Adam Michnik spoke up in the defense of the defunct PZPR's assets. At the time I had written that he is a farsighted politician, because he does not want to weaken economically his future ally.

As regards foreign policy, under the previous governments Poland retained the appearances of a united stand, which actually did not exist, whereas the present government has led to its complete breakdown, as can be seen even by an outside observer of the Polish political scene.

According to Ryszard Czarnecki of the Christian National Union: "The present government tolerates graft in high offices."

It has abandoned the country's administrative reform, and failed to continue essential economic reforms or even regressed in this respect as well as in certain domains of the economy. It has failed to decide on a reform of social insurance.

Overall, the actions taken by that cabinet of ministers can be viewed as chiefly focused on expanding the zones of influence of the two governing parties whose members compose that cabinet, as has repeatedly been reflected in spectacular partisan contests for ministerial posts. The cabinet has shown equal enthusiasm in trying to obscure scandalous conduct by its members.

As regards economic policy, the halt to privatization is extremely dangerous. Instead, we were given what is termed "komercjalizacja" [transfer of state enterprises to ownership by the State Treasury as a supposed intermediate step on the road to their privatization], and what in reality consists in preparing several thousand posts for the new economic nomenklatura.

In its foreign policy this government has shown passivity toward our eastern neighbor, Russia. This policy has

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borne rotten fruit in the form of a reduced importance of Poland, both in the East and in the West.

It is paradoxical of this government that, although its prime minister is a peasant-party member, it has made no attempts to reform Polish agriculture and adapt it to the extremely difficult and brutal competitive struggle on this market.

Lastly, and very importantly from the standpoint of the man on the street, this government has taken no effective steps to restrict the rise in crime. Poles continue to feel unsafe on the streets of their cities.

According to Tomasz Wojcik of the Confederation for an Independent Poland: "The problems of this government lie within a range bounded at the one end by the warrant for the arrest of Deputy Minister Baszniak and at the other by the personal refrigerator of Police Commander Smolarek."

The principal sin of this government is the sin of omission. For 15 months it has taken no steps of importance to Poland; it has not at all tackled such problems as reforms of social insurance, health service, education, and housing construction. It has given up implementing its own program of action presented in "A Strategy for Poland." It has taken no steps to restructure the economy, done nothing to establish the State Treasury as an institution, and delayed the effects of privatization.

This government is an asylum for wanted felons. So far, any criminal can still effectively seek immunity from prosecution by being appointed to a government office.

According to Ryszard Bugaj of the Union of Labor Union: "The Pawlak government is a government of lost opportunities."

It is an inefficient and corrupt government, which has reneged on its own program of action. I think that this is the reason for its failures and for the strongly negative influence of the president.

According to Jerzy Eysymontt of the Parliamentary Caucus of Republicans: "Minister Michal Strak [of the PSL] was the hammer in the hand of Prime Minister Pawlak."

In the economy the government did harm by bringing about a de facto halt to privatization. Then also consider what happened to reprivatization: The two related draft laws were voted down by the parliamentary majority upon first reading. This is a fatal signal which undermines the credibility of a system based on private property. There is no modern capitalism, no modern market economy, that is not based on respect for and inviolability of private ownership.

Further, there is the procrastination with signing the NFI [National Investment Funds] program. This is burying hopes for mass privatization.

The government's policy on eastern relations remains unclear and undefined.

I was, am, and shall continue to be the supporter of the best possible relations with Russia, but for Poland there is only one direction of lasting and basic alliances—the West. Anything injurious to that direction weakens our standing vis a vis Russia. This does not concern any adventurism but a clear policy toward such countries as Ukraine, Belarus, and the Baltic countries.

I think that the PSL has gone too far, e.g., in its personnel policies. It has replaced voivodship governors with its own appointees, mostly unsuited carpetbaggers. The policy toward local governments has been unclear and two-faced, because they have not been endowed with more powers or responsibility, nor were they allocated funds.

According to Jan Maria Rokita of Freedom Union: "I have a very poor opinion of this government."

First reason: Its personnel policies. Ministerial and departmental executive posts are "populated" at present with the kind of individuals who failed to make a political or administrative career even under the Rakowski and Jaruzelski governments and who subsequently, after 1989, fell victim to the changes because they were unfit for anything, owing to their broken moral backbone. Thus we have [among persons holding high government offices at present] the former deputy head of some evening university of Marxism-Leninism, a former local party secretary of culture, and an unvetted former UB [the communist Security Services] middle-ranking officer (middle-ranking, because a higher-ranking one has founded a private security agency). Unexpectedly, Pawlak made social advancement possible for such individuals. Official Poland is nowadays in many respect worse than the Poland of the era of [Communist governments of] Zbigniew Messner and Mieczyslaw Rakowski.

The second reason is the government's passivity. Not only all the ready projects but also all the half-ready ones were taken out of the drawers of the previous ministers and department heads and either discarded or passed on to Sejm and turned into various orders and ordinances. Aside from the budget prepared by Finance Minister Grzegorz Kolodko and his associates, and also aside from the draft pension law and totally wrongheaded tax laws, nothing new was conceived over one and one-half years.

And lastly, the third accusation: The dramatic decline in the morality of the Pawlak government. In comparison, the accusations made against Janusz Lewandowski [the previous minister of privatization] and others sound like a professional criminal warning a child not to steal a pear from a stall. This is a deliberate transformation of power, under the aegis of the prime minister, into an instrument of an organized interest group. The person who has given the political green light, who has created the climate favoring all these scams, is without a doubt Prime Minister Pawlak.

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According to Jan Parys of the Secretariat of Center-Right Groupings: "We are squandering our past and our future."

This governing coalition is ruling on the basis of elections which were free but not democratic. The cabinet of ministers was the personal creation of Pawlak, once a complete unknown. It was better for Poland that the government is headed by an PSL rather than an SLD representative, but even so no changes have taken place and a political regression has occurred. All the same, the Pawlak government has respected civil liberties and the right to demonstrate. During its tenure up to now no cases similar to that of UOP [Office of State Protection] Instruction No. 0015 have occurred. And he personally is not being accused of any criminal wrongdoing.

Owing to intracoalition disputes defense policy is unstable and as a result the West is backing away from its original openness about admitting us to NATO. It is inadmissible for the West to extend its welcoming hand and for Poland to extend in return a red glove.

Like the preceding governments, this government too is not pursuing an information policy. From the outset, too, it has been doomed to hostility from the press and television. Even RZECZPOSPOLITA specialized in attacks on this government.

Part II

Finance

The Pawlak government has in no way mastered public finance. The budget deficit for 1994 was assumed to be higher, but actually it proved lower by a dozen or so trillion zlotys, i.e., by nearly 20 percent. Taxes were to be cut but they were maintained at a higher level. Inflation was initially forecast at 23 percent [for the year] and later at 27 percent, and later still, a month before year end, at 28.5 percent, but it turned out to be 32.5 percent. For this year inflation is expected to reach 17 percent, but already in January prices rose by 3.9 percent, which makes this prediction unrealistic already at the outset.

The Pawlak government depicted as a major achievement signing a debt reduction agreement with the Club of London. But that was due not at all to the actions of that government but to the efforts of its several predecessors. In contrast, what the Pawlak government "accomplished" was to delay by half a year the ratification of the free-trade treaty, as a result of which we have to experience a delay of half a year before benefiting from the duty reductions introduced by that treaty.

The planned reform of the economic ministries, by, among other things, establishing ministries of the economy and of the Treasury, also has not taken place.

Personnel Policy

After the postcommunist coalition took power, during its first four months alone, it appointed—in addition to is own ministers and deputy ministers—its own six secretaries of state, 37 undersecretaries, and eight general directors. The old nomenklatura was gradually reappointed to high offices, thus eliminating officials of Solidarity origin. To satisfy the demand for their own people, i.e., for SLD and PSL activists, the staffs of the ministries began to be bloated. According to the Institute of Political Studies, Polish Academy of Sciences, 45 percent of high offices in the current economic administration are held by the old Communist nomenklatura. This former nomenklatura "spread itself," as it is prettily putting it itself, not only throughout the government but also to big state enterprises, boards of governors, banks, local governments, and the richer foundations (e.g., the "Solidarity" board of trustees of the richly funded Foundation for Polish-German Cooperation was replaced with "our own people"). A former member of the PZPR Central Committee, Marcin Swiecicki, was imposed as the mayor of Warsaw, a capital at which big deals and the big money needed by these political parties are concentrated. The PSL-er Michal Strak, who was appointed chief of the Office of the Council of Ministers, turned that office within a short period of time into an odd kind of a superministry, supervising the work of all ministries. By promoting the proliferation of all kinds of committees he increased employment to in excess of 1,000 persons, of whom 200 advisers alone (!). Extending his struggle for power to the provinces, Strak has replaced most of the voivodship governors. In addition, the ruling coalition recalled nine out of the 12 members of the search committee appointed by former Prime Minister Suchocka with the object of selecting members of the supervising councils of National Investment Funds, on replacing them with PSL and SdRP [the leftist Social Democrats of the Republic of Poland] activists.

The postcommunist cadres raised corruption of power to an apogee.

Privatization

By the end of 1993 a proposal for amending the Privatization Law of 13 July 1990 was readied. Based on the experience gained by then, it introduced revisions and new procedures. The proposal never progressed beyond the Council of Ministers.

Yet another draft of the reprivatization law was rejected in its entirety by the votes of the ruling coalition already upon its first reading.

In the course of half a year, for reasons unknown, despite the protests of the enterprises, the opposition, the president, and one of his own ministers, the prime minister blocked the launching of the program for National Investment Funds, refusing to approve the participation of the third group of companies in that program. In effect, the condition of many enterprises grew much worse.

The mass commercialization of enterprises, that is, their conversion to one-person Treasury companies, an idea

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of the present government which it so enthusiastically trumpeted a year ago, never took place.

Domestic Security

Crime has risen markedly. In 1994 the number of homicides increased by 4.9 percent compared with 1993. The impunity with which gangs collect tribute ["haracz," in this context protection money], has increased markedly. Terrorism has surged in previously unseen forms: planting of bombs, blowing up apartments, cars, and public facilities.

Scams and graft in which high-ranking officials chiefly figure have become an everyday Polish reality.

An indulgent attitude toward corruption has become the norm among high police officials. Commander Smolarek was kept as the police chief for another half year despite the accusations against him in the press, and despite his request to resign. Bickering within the police has been paralyzing its work.

The scanty outlays on the police have reached a critical state: The deficit in 1994 was 3.5 trillion zlotys, 3,000 inoperable vehicles, and 1,500 police facilities needing renovation.

"Recommunization" of personnel in the security services has taken place with the return of former SB officials to high posts, as best exemplified by the appointment of Gromoslaw Czempinski as chief of the Office for State Protection. The few officials appointed to the Ministry of Internal Affairs after 1990 have since left.

National Defense

A tendency to link Poland's security to that of Russia has appeared while at the same time the government remains relatively uncommitted to convincing the West that Poland's integration with NATO is justified. This was clearly exemplified by the proposal to include Russia in the Warsaw Triangle (France, Germany, Poland). The Ministry of National Defense has been treated like an arena of struggle for influence in the government instead of placing emphasis on reforming the military and providing it with extra funds.

Personnel policy has become "recommunized." Danuta Waniek, the notorious "scourge" of military chaplains, was appointed deputy minister of defense, and Longin Pastusiak, a former Communist propagandist, was nominated minister of defense. Budget funds for the military were cut.

Foreign Policy

The simultaneous departure of Walesa and Pawlak for the United States was only the tip of the iceberg of chaos reigning throughout the period of governance of the Left. Misunderstandings between the foreign ministry, the president, the prime minister, and the parliament have been a daily occurrence. Well-informed observers say that the confusion within the foreign ministry is simply indescribable. Large numbers of ambassadors supposed to represent Poland at the most sensitive spots of present-day world have been forcibly furloughed.

Nice-sounding phrases about NATO and the European Union have been used by the present Administration to mask its actual foreign-policy intentions, which are definitely oriented toward the East.

Only one "accomplishment" of the Eastern policy could not be concealed, because it took place in a climate of scandal. Minister of Foreign Affairs Andrzej Olechowski, whose resignation was suspended, while answering "One Hundred Questions" from reporters on TV, unwittingly revealed what actually was the point of the madhouse affair of the Russians [who complained about belongings stolen by their compatriots aboard a train] allegedly manhandled by Polish authorities at the Eastern Train Station in Warsaw: [As compensation for that incident] the Russian side negotiated for itself better terms of a gas pipeline contract. The new version of the contract drafted for the occasion of the long-delayed visit of Prime Minister Chernomyrdin to Poland is much less advantageous to Poland.

Mention should be made of the Concordat issue, that "second leg" with which Poland can make another step toward the West—can but will not, given the attitude of the current authorities.

Agriculture

A government headed by the leader of the largest peasant party in Poland has done nothing revolutionary about its farm policy, confining itself in principle to largely ineffective emergency measures. Countervailing fees for imported food have helped farmers little and merely contributed to higher inflation, although it must be admitted that the rise in food prices has been largely due to last year's drought. Preferential credit, very low as it is, is helping the weakest farms to survive but affords no opportunity for greater investment and modernization of agriculture. Interventions by the Farm Market Agency continue to be tardy, and hence also "swine lows" and "highs" are recurring with an irritating regularity. The failures of the Pawlak government do provide a lesson, however: In a country such as Poland agricultural policy alone will not lead to a rapid transformation of the countryside. The countryside will not become modernized unless the unemployment rate decreases and consumer incomes rise—only then will some farmers look for other employment and the remainder will be able to sell their products. This is not being assured for Polish peasants by a government created by the PSL.

Local Governments, Housing Construction

Pawlak began by blocking the so-called pilot program which provided for the takeover by municipalities of the principal objectives heretofore performed by the central government, e.g., in education and health service. After

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a couple of weeks the government graciously unblocked the pilot program and entrusted new tasks to the municipalities, but it transferred to them only a modest part of the funds needed to accomplish these tasks. The peak "accomplishment" in this field was the law on housing rents. This law obligates local governments to pay housing allowances. The funds for this purpose were to be provided by the central government. And it provided only one-half, 3 trillion zlotys, of what is needed.

In such a situation the blocking of the powiat reform [the reintroduction of powiats, or counties, as administrative divisions] is to be viewed as a "lesser evil," because, while some local-government structure above the gmina [township] level is doubtless needed, a greater evil would be the introduction of powiats and the burdening of gmina budgets, horrifyingly low as they already are, with the related administrative expenses.

For 16 months the postcommunist governing coalition has done literally nothing to promote the growth of construction and solve the housing problem. The idea of low-cost construction loans offered the other day by Minister Blida is to be sure a good one, but it is a proverbial Johnny-come-lately.

The absence of workable solutions of the housing problem has resulted in further regression of construction. According to the Main Statistical Administration (GUS) even fewer homes were built in 1994 than in 1993, and *many fewer* than had on the average been built in the 1970s.

Health

Instead of a health reform the Pawlak government subsidized, as part of guaranteed benefits, a proportion of the fees for some medical services, such as for the first five days of hospitalization. The government is introducing ever-higher fees for medicines, and the list of medicines available gratis is becoming ever shorter. Despite protests by trade unionists the Sejm passed a law reducing sickness benefits to 80 percent of wages. In addition, it has made employers financially responsible for the first 35 days of illness of employees. Despite the assurances provided by Pawlak on television, health service workers did not receive a salary increase by the end of January. The state sector has not either kept its obligation to pay a year-end monthly bonus, because there were no funds left in the budget (?).

And the Ministry of Finance released funds only on 20 January, according to Deputy Minister of Finance Chojna-Duch. Thus it was not possible to keep the promise. A promise is a promise, Mr. Prime Minister....

Education and Science

The curriculum reform of schools has been completely halted, and in the case of vocational schools their needed restructuring also has been halted. The decentralization of educational administration and the democratization of education have stopped. A planned campaign against the transfer of education to the jurisdiction of local governments has been launched (changes in allocation of subsidies, changes in the law on the educational system).

The absence of debt relief was combined with the at least tripling of debt during the two-year SLD-PSL government, owing to a bad financial policy. The failure to provide adequate funds for material expenditures and their absurd reduction in 1994 and 1995 is forcing parents, local governments, and school directors to spend more and more on their own funds for these purposes. This in fact negates the constitutional principle of free elementary education.

Despite the preelection promises, the financial situation of educators has not improved. What is more, educational salaries dropped in the fourth quarter of 1994 to 67 percent of the nationwide average wage, and have been frozen at this level for the years 1996-1998 (unless changes are made).

The draft law on higher vocational education being prepared by the Pawlak government is inconsonant with the currently existing system of that education. It is also difficult to determine what vision of education underlies that law.

New Coalition Agreement Threatens Reform

95EP0067B Warsaw GAZETA BANKOWA in Polish No 9, 26 Feb 95 p 3

[Article by Malgorzata Pokojska: "Victims of Success: The New Coalition Agreement May Effectively Block Any Reforms"]

[FBIS Translated Text] Deeds conflict with words and facts. Waldemar Pawlak claims that he was fired from the government because he had scored economic successes. Jozef Oleksy claims that he will continue Pawlak's policy even though it has plunged the economy into a morass and inflation.

[Minister of Finance] Grzegorz Kolodko, on the other hand, now that Pawlak has been replaced with Oleksy as prime minister, is offering a program critical of the existing economic policy of the government, of which he was a member. Even some coalition members admit that the trump card in this game, the 5-percent economic growth achieved last year, is to everyone's credit and not just to Pawlak's. The evident consequences of Pawlak's economic responses are: the six-month delay of the National Investment Funds program, the complete blockage of all work on reprivatization, the increases in tax rates, and the soaring food prices. It would seem that Oleksy is going to set all these matters aright. The courteous language in which the prime minister-designate commented on his predecessor can only obscure his intentions.

The Party Guides, the Government Rules

A similar bad impression is produced by the revised coalition agreement between the SLD and the PSL,

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especially in its part concerning operating principles. The coalition partners have decided not to vie with each other with regard to principal political and economic issues, both at the forum of the government and at that of the parliament, "unless otherwise decided." In practice this means paralysis of the government and the parliament, the absence of any broader discussion and exchange of views and a hopeless situation of the minority opposition, which has not been able to accomplish much even in this relatively undisciplined coalition Sejm.

The principal decisions affecting the government and the parliament are, under the agreement, to be taken at a political forum consisting of 10 coalition leaders. This surely concerns the signatories to that agreement, five each from each party. The first on the PSL's list is Pawlak.

That forum may thus become transformed into a kind of Politburo of the former PZPR [communist party]. It has been taking the principal decisions "concerning the government and the parliament," and not only that. But it would be difficult to accuse the coalition of a deliberate return [to the communist system]. The point rather is a desperate search for mutual rapport. The coalition is divided about a program of action, especially as regards the economy, and the two parties composing it compete with one another in their personnel appointment policies instead of coordinating them. So far the PSL has been particularly greedy about staffing high offices with its members. The two partners have repeatedly proved disloyal to one another, something that even earlier attempts had been made to hide. They tried to resolve disputed issues not in the parliament but at the Office of the Council of Ministers, which is practically out of bounds to reporters. Following their closed-door meetings, coalition ministers confided that they resemble the tumultuous debates of the preceding, fragmented Sejm.

The aforementioned political forum already has its origin in the Tuesday meetings of coalition leaders prior to sessions of the Council of Ministers. These meetings are an attempt to evade conflict by discussing it at a higher level, to localize it within a narrower and tighter group than the Council of Ministers. The question is, will this really facilitate reaching a consensus? For while these meetings of coalition leaders were intended to streamline the operation of the government, they have not fulfilled their purpose. Waldemar Pawlak, a participant at the Tuesday meetings, who is to be a member of the future forum, designated for the new government his intraparty opponents, including Roman Jagielinski (minister of agriculture) which hardly seems to improve cooperation within the governing coalition. When Pawlak was forced to resign his post as prime minister, he said, "It will not be easy for you." "For you" and not "for us."

The Optimal Nomenklatura

Agreements between the PSL and the SLD are supposed to concern not only taking decisions on their own merit but also personnel appointments. Yet in this respect their mutual trust has been most undermined. The partners thus specified that they will agree upon staffing posts in the government administration, economic and social institutions, and enterprises, whenever the point is to represent the interests of the State Treasury.

This may mean that the coalition parties will want to influence the selection of both PCK officers and members of the board of governors of X company in which the state is a shareowner. There now exist a couple of hundred such Treasury-owned companies and, following a mass conversion of other state enterprises to that status, their number will reach a couple of thousand. A return to "party-minded" management of these enterprises would be a madness comparable only to the renationalization of the assets privatized in recent years. It remains only to be hoped that the governing coalition will fail to translate its decisions into reality. Dreams of omnipotent rule will exacerbate conflicts, which in its turn will lead to early parliamentary elections.

A Strategy for a Thaw

The agreement [between the PSL and the SLD] may, if followed, block any attempts at bolder reforms in general, inclusive of the restructuring of the central government administration that has again been presaged by Grzegorz Kolodko.

That deputy prime minister, who in the new government is to be merely the minister of finance, recently presented his credo, which is not quite coherent with the economic policy being pursued. He stressed his desire to decentralize governance, reduce the government's role in the economy, eliminate inter-subsector divisions, balance the powers of the economic ministries (thus reducing the importance of the ministry of finance), and promote competitiveness and growth-encouraging measures, that is, to further liberalize the economy. The rationale of the draft law on mass commercialization [mass conversion of state enterprises to ownership by the State Treasury as a first step on the road toward their privatization] includes an explicit assurance that this is intended chiefly to streamline privatization.

It is difficult to resist the impression that, now that Pawlak is gone, a thaw is beginning. But the point is that under the new coalition agreement Pawlak is not really deprived of much power; the change in the directions of economic policy and the decentralization of government must still be approved by the abovementioned political forum [of which Pawlak remains a member]. We do not know whether a veto or a democratic vote is binding at that forum. Or perhaps the votes by the 10 leaders will be tied 5 to 5? What then?

Jozef Oleksy wanted to form a government on the basis of the changes proposed in the decentralization project. But what has been said so far indicates that the "restructuring" of the government will be shallower. The discussion concerns candidates for offices which exist at

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present. Of course, the question of whether Oleksy will form his own cabinet at all is still open.

Falling Volume of Trade With Iran Reported

WS2903132695 Warsaw GAZETA WYBORCZA in Polish 29 Mar 95 p 16

[Article by Jacek Pawlicki: "Poland-Iran. The Trader's Eye Wink"]

[FBIS Translated Text] *In 1991, Iran was to become a surrogate partner for Polish companies which lost their USSR markets. In 1995, those branches of industry which have found it so hard to recover from the collapse of CEMA—weapon producers and exporters of investment goods—are still dreaming of contracts with Iran.*

Successive ministers of foreign economic cooperation spoke of the benefits of developing trade with Iran. The recent commotion with the exports of Polish T-72 tanks to Iran showed that attempts at entering that market are not confined to declarations alone.

It is unofficially known that the tank deal is being implemented. Several dozen incomplete T-72 tanks, worth about $1 million each, will be sent from Labedy [arms industry plant] to Iran. Iran is also interested in our aviation industry. It is considering, for example, purchasing the Sokol helicopters.

Oil comprises 95 percent of our purchases in Iran. We bought $182.2 million worth in 1994. In 1995, the first contract for strategic fuel supplies was signed by a refinery, not by the state.

By the end of December, we should receive approximately 1.5 million tons of oil. "We have received three shipments so far, 240 thousand tons in all," says Jan Nowakowski, director of the Warsaw office of the Gdansk Refinery.

Oil imports from Iran give us a feeling of independence from Russian energy. This year's contract satisfies approximately 12 percent of the domestic needs. Several years ago, we imported 2.5-3 million tons of oil from Iran. We were then one fourth free from the threat of the faucet in the east being turned off.

Apart from the "black gold," we import raisins, clover seeds, dried grapes, almonds, nuts, and figs. As a result of our oil purchases from that country, we have a very serious negative trade balance.

A Loan for the Decrease?

We export primarily machine too'ls, construction machinery, and machines and equipment for the food and textile industries to the Iranian market. We also sell the services of construction and energy specialists, products of the metal industry (mainly steel), yarn, and coking coal. Our construction companies might obtain contracts for building a subway in Tehran.

Despite many attempts, the volume of Polish-Iranian trade is falling with each passing year. In 1991, it was $503.8 million, two years ago—$335 million, and in 1994—a mere $208 million. Experts on both sides stress that without a convenient system of settling accounts the further decline of bilateral trade cannot be stopped.

According to Iranian Minister of Commerce Yahya ol-Eshaq, one reason may be that clearing has been suspended. Both governments are trying to find a remedy for the financial ailment. It could perhaps be a credit line that is now being opened by Bank Handlowy, allowing for the export of Polish investment goods such as sugar factories, electric power plants, and other types of industrial facilities.

Bank Deposit Insurance Guarantees Described

95EP0064C Warsaw GAZETA BANKOWA in Polish No 7, 12 Feb 95 p 9

[Article by (BZ): "The Banks as Equals: Starting in Mid-February, Only Three Banks Will Be Eligible for State Treasury Deposit Insurance"]

[FBIS Translated Text] "Until now the little money I have is in my account at the Food Industry Bank (BGZ), but the interest rate it pays is steadily declining. So I would gladly transfer my account somewhere else, but that would have to be a reliable bank so I would not lose all my money. I would thus appreciate it very much if you would send me a list of the banks at which deposits are completely insured by the State Treasury."

Requests of this kind reach the editors quite often. We do not find them at all surprising. Everyone would like his savings to be safe, and grasping the financial condition of a bank is no easy matter. Sometimes even knowledge of basic financial indicators is not helpful, because their real worth can be determined only after a thorough perusal of their loan portfolio and of their balance sheets and financial statements.

It sometimes happens that even the bank employees responsible for investing funds in other banks take decisions which in time prove to be poor. Such mistakes affect all the more so the bank depositors, who in their daily life are concerned with other matters.

That is why State Treasury deposit insurance is so popular. The state, that is, the budget assumes the responsibility for any eventual insolvency of a bank. All the customer has to do is to pick the most attractive interest rate.

As of 17 February 1995 the number of banks covered by Treasury deposit insurance will shrink to three. They will be, exclusively: The General Savings Bank (Powszechna Kasa Oszczednosci or PKO), the Pekao Bank S.A., and the Bank of Food Industry S.A.

All the other banks, including cooperative ones, will be covered by the Bank Deposit Insurance Fund. It will

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operate with monies deriving chiefly from mandatory fees paid by the banks. Should some bank lose liquidity and be declared bankrupt, depositors will be paid back a part of their deposits, inclusive of the interest earned.

Thus, if a depositor keeps, for example, 10,000 new zlotys (100 million old zlotys) in a bank, he will be paid about Z8,500 [zlotys], even if that 10,000 is distributed among five different accounts. The guiding principle is that the equivalent of ECU1,000 is repaid 100 percent and anything above that, within the limit of ECU1,000-3,000, 90 percent. Claims for the remainder—exceeding ECU3,000—can be filed directly with the bank, if, of course, they have any chance of succeeding.

These guidelines apply to both new deposits and those made long ago. The maximum amounts that can be claimed are given in ECU's so that they would not diminish in value with rising inflation. Early in February this year ECU1,000 was equal to about Z3,036.

Thus, cautious depositors will have to opt for either of two solutions: Either they entrust their money to one of the three banks that continue to be covered by Treasury insurance or they divide up their savings so as not to keep more than, say, Z3,000 in any single bank. (Allowance should also be made for the interest earned on these deposits, which is also insured.)

Extremely cautious depositors will, nevertheless, not want to entrust their money to the banks which:

—Have small paid-in capital, since they will lack the reserves to offset eventual losses; it is better to trust a bank which is known to operate in the red or be barely solvent, but whose paid-in capital is substantial.

—Do not report their financial statements—this is suspicious; banks which care for their reputation (e.g., all the banks whose stock is quoted on the stock exchange) are very often concerned about frequently providing their financial statements and any other related information.

—Offer much higher interest rates than their competitors—often the reason for such "graciousness" toward depositors is the desire to attract funds, even if at a higher price, in order to preserve liquidity and avert a collapse.

To be sure, such banks also are covered by the Bank Deposit Insurance Fund, but why risk the inconvenience involved in recovering one's money?

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Expulsion of Japanese Terrorist Confirmed

AU2703133695 Bucharest Radio Romania Network in Romanian 1000 GMT 27 Mar 95

[FBIS Translated Text] The Press Bureau of the Romanian Interior Ministry faxed us a communique referring to the case of Japanese terrorist Yuriko Ekita.

In accordance with the laws in force—that is, provisions of Article 13, Paragraph 2 of Law 40/1990, regarding the organization and operation of the Interior Ministry and Article 20 in conjunction with Article 4 of Law 25/1969, regarding the judicial regime of foreigners in Romania, on 21 March 1995, the Romanian authorities did not permit the stay in Romania of Peruvian citizen Maria Yamamore Galvez, because there were well grounded indications that she intended to act against the Romanian state and was bent on committing crimes.

According to definite information obtained by the Romanian Intelligence Service, this person was concealing her true identity by carrying a false passport. In reality, she is a well-known Japanese terrorist by the name of Yuriko Ekita, as was confirmed by the Japanese authorities after her expulsion from Romania.

Paper Gives Arrest Details

AU2803114995 Bucharest EVENIMENTUL ZILEI in Romanian 25 Mar 95 p 3

[Article by Daniel Capatos, Ilie Salceanu, and Sumitru Pacuraru: "After Being Arrested in Bucharest, the Terrorist Yuriko Ekita, a Member of the Japanese Red Army Movement, Was Expelled to Japan"]

[FBIS Translated Excerpt]

She Was Arrested on the Plane by Members of the Japanese Security Services

The news published yesterday, 24 March, about a Japanese female terrorist's having been arrested at Bucharest Otopeni Airport provoked extremely great interest. The excitement was created by the vehement denial by Bucharest authorities of such an arrest's having taken place in Romania. The subject of the scandal is a 44-year-old woman called Yuriko Ekita, member of the Japanese Red Army, an urban guerrilla terrorist organization. The denial came from Colonel Ion Hurdubaie, an Interpol officer who, quoted by REUTER, initially confirmed the arrest, as well as from the Japanese Police, which declared that it received no report in connection with this case.

Terrorist Yuriko Ekita's arrest was confirmed by the newspaper photographer working for the daily paper INFORMATIA ZILEI [DAILY NEWS] of Satu Mare. Tadao Shibata, a photographer of Japanese origin working for the daily INFORMATIA ZILEI, was given the task of finding out as many details as possible about the recent attack in the Tokyo subway by making use of his Bucharest contacts among his fellow nationals.

In the course of this action, the photographer had the opportunity to meet a journalist colleague from Tokyo, a special correspondent to Romania of the newspaper for which he was working, to find out details about the arrest of terrorist Yuriko Ekita. The two journalists exchanged information and this resulted in the confirmation that the terrorist woman had been arrested at Otopeni Airport. The editors of the daily INFORMATIA ZILEI checked at once the information with an Interpol agent in Satu Mare, who also confirmed the whole story.

Yuriko Ekita Was Arrested Aboard the Plane From Which She Was Expelled

Although the Romanian authorities continue to deny the fact that terrorist Yuriko Ekita was arrested in Bucharest, the REUTER agency, quoted by Mediafax, broadcast the news that the terrorist, who has been for the past 18 years on the wanted list of the Japanese authorities, arrived on Friday [24 March] in Tokyo after she had been extradited by the Romanian authorities.

Likewise, it is mentioned that Yuriko Ekita had been detained by the Romanian authorities since Monday, 20 March, for carrying a fake passport. An official of the Interpol Bureau in Bucharest, quoted by REUTER, said that Ekita was arrested and turned over to the Japanese Police. She was arrested aboard the plane on which she was extradited, by officials of the Japanese Security Services. Weak, pale, and wearing dark glasses, Ekita did not reveal any feelings while she was escorted through Narita Airport in Tokyo.

The Japanese authorities announced that they intend to interrogate Ekita about her reasons for being in Romania and about the activity of other members of the Japanese Red Army. There is some suspicion that the terrorist had been in Romania for about six months. [passage omitted]

Romania and Japan have not signed a bilateral extradition accord; therefore, the Japanese authorities preferred to arrest the terrorist. Had the Romanians arrested her, they would have needed an official request issued by a Japanese court institution for extradition, REUTER affirms.

The Japanese Embassy in Bucharest refused to comment on the Otopeni Airport incident.

Funar Demands 'Renegotiation' of Draft Treaty

AU2803155195 Bucharest Radio Romania Network in Romanian 1300 GMT 28 Mar 95

[FBIS Translated Text] Gheorghe Funar, president of the Romanian National Unity Party [PUNR], sent a new letter to Romanian President Ion Iliescu in connection with the aide-memoire and the draft treaty between Romania and the Hungarian Republic. In this letter, the PUNR leader makes several critical remarks about certain points included in the draft treaty and asks Romania's president, quote:

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—To intervene to change the team of negotiators of the Romanian Ministry of Foreign Affairs;

—To demand the renegotiation of the draft treaty with the Hungarian Republic, so as to eliminate all provisions running counter to Romania's Constitution and the Strasbourg Framework Convention;

—To demand that the treaty should stipulate the damages that Hungary owes Romania for the atrocities and destruction incurred by the Vienna Diktat;

—To consult Romania's Parliament and then ask the Romanian people to express their will on this matter of national interest through a referendum.

In conclusion, the letter reiterates the PUNR's desire to actively contribute to negotiating and concluding the Treaty of Understanding, Cooperation, and Good Neighborliness between Romania and the Hungarian Republic.

The letter is dated 29 March, Cluj-Napoca.

Subway Workers' Strike Suspended for 40 Days

AU2803171895 Bucharest Radio Romania Network in Romanian 1300 GMT 28 Mar 95

[FBIS Translated Text] Today, the Supreme Court of Justice accepted the submission of the Management Board of the Bucharest Subway Company, and on the basis of Article 30 of Law No. 15/1991, decided to suspend the strike begun by the Union of Subway Free Trade Unions. The suspension is applicable for 40 days, beginning with the date when the decision was pronounced, until 5 May.

The Court's decision is final, our correspondent Laurentiu Vaduva reports.

Official Denies Getting Letter on Hunger Striker

AU2903062295 Bucharest Radio Romania Network in Romanian 1700 GMT 28 Mar 95

[FBIS Translated Text] Today AFP, citing Western sources, carried the story that the European troika had expressed concern over the fate of a trade union member at the Romanian Television Company [Dumitru Iuga, leader of the Television Employees free Trade Union], who is on hunger strike in protest of the delay in appointing a new director of that institution.

Quoting the same sources, AFP mentions that a letter to this effect from the ambassadors of France, Germany, and Spain was sent to the speakers of the two chambers of Romania's Parliament, Adrian Nastase and Oliviu Gherman. In it the troika also expresses its wish to see the administration boards of the television and radio companies installed rapidly.

Referring to the AFP news item, Oliviu Gherman, the speaker of the Romanian Senate, told our reporters that so far he has not received the letter and, therefore, is unable to comment on it. The senate president added that he hopes that within a maximum of 10-12 days Parliament will approve the administration board of the national radio company. Gherman expressed his belief that during the next joint session of the two chambers the list for the radio company's administration board, which has not been contested by anyone, will be put to a vote.

Iliescu Asked To Mediate

AU2903062495 Bucharest ROMANIA LIBERA in Romanian 24 Mar 95 p 3

["Open letter" signed by nine opposition parties represented in Parliament sent to President Ion Iliescu in Bucharest on 23 March]

[FBIS Translated Text] Mr. President, we hereby urgently appeal to you asking for your personal intervention to unblock a crisis situation the consequences of which could be extremely unfavorable for Romania, both on the domestic and the international plane.

As you know, despite the fact that eight months ago the Law on the Organization and Functioning of the Radio and Television Public Corporations was promulgated, both of them still operate under circumstances of illegality. The reason for this is the fact that the administration boards of the two corporations have not been set up.

According to the law, their members should have been appointed by Parliament within the following 60 days—that is, before 18 August 1994.

Today, 23 March 1995, the special panels of the two Parliament chambers considered that the ballot organized more than seven months ago at the SRTV [Romanian Television Public Corporation] was illegal and requested new elections, which runs counter to the wish of the television employees.

Following the aforementioned decision the situation at the SRTV has deteriorated, instead of becoming better, as the personnel consider the Parliament panels' decision illegal.

Considering all this—as well as the situation of Dumitru Iuga, the television employees' trade union leader who is currently in his 22nd day of hunger strike and determined not to stop until the SRTV employees' point of view is taken into consideration—we ask you, Mr. President, on the basis of your constitutional duties, to mediate in this conflict between the SRTV employees and Parliament, so that this conflict does not end in grave consequences for both Romanian society and Romania.

Car Importers Accuse Government of Biased Rules

AU2903105295 Bucharest COTIDIANUL in Romanian 23 Mar 95 p 5

[Article by Cristian Rautu: "The Government Is Creating Dissension Among the Foreign Investors in Romania"]

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[FBIS Translated Text] Although it claims to be an adept of the market economy, the Romanian Government proves that totalitarian practices are not alien to it. Recently, through Decision No. 119 of 7 March 1995, the government approved some $175 million worth of customs exemptions for automobile imports. So far, so good. However, a small regulation included in the text of the decision makes it obvious that the Daewoo company will almost be the only beneficiary of these tax exemptions, since only its Cielo model has a cubic capacity of 1,400-1,500 cubic centimeters, as stipulated by regulation's provisions. All the other representatives and importers of automobiles in Romania, who belong to the Association of Automobile Representatives and Importers (ARIA)—that is, Renault, Fiat, Toyota, Iveco, Peugeot, and Citroen—do not sell cars with a cubic capacity of 1,400-1,5000 cubic centimeters.

This is proof of an act of obvious discrimination, of preferential treatment for a single investor to the detriment of others. According to ARIA President Calin Popescu Tariceanu, it is natural and laudable that the Romanian state should protect its great investors, but this should be done in accordance with the GATT international agreements and particularly with the EU Association Accord, so that the free competition specific to a market economy can exist in reality. The government's totalitarian provisions are also proved by several public dignitaries, such as Minister of Trade Mr. Cristian Ionescu or State Secretary Ion Pargaru, who refused to discuss—although they were obliged to do so by the law—with a professional organization such as ARIA.

It seems that the governmental decision will have a negative resonance abroad, since the aforementioned companies decided to appeal to the support of the Common Market, where they enjoy the backing of the Committee of Car Manufacturers. The EU ambassador to Bucharest has already been informed by ARIA about the government's discriminatory act.

Lawmakers' Statements About Recommendation 1201

AU2803110095 Bucharest AZI in Romanian 22 Mar 95 p 5

[Statements made to Carmen Buse, Iulia Rosca, and Loara Stefanescu by parliament members belonging to various Romanian political parties; place and date not given: "Recommendation 1201—The Bone of Romanian-Hungarian Contention"]

[FBIS Translated Excerpt] *As we have already related, the Romanian-Hungarian negotiations for the conclusion of the bilateral treaty have reached a deadlock owing to Article 11 of recommendation 1201 of the Council of Europe, which stipulates:*

"Recommendation 1201 (1993) on an additional protocol on the rights of national minorities to the European Convention on Human Rights

Article 11

"In the regions where they are in a majority the persons belonging to a national minority shall have the right to have at their disposal appropriate local or autonomous authorities or to have a special status, matching the specific historical and territorial situation and in accordance with the domestic legislation of the state." [text published in facsimile in English]

"Wishing to find out the 'feelings' of the Romanian parliamentarians with respect to this issue, we asked them the following question: How do you interpret the practical consequences—for instance in the counties of Covasna and Harghita—should the recommendation be implemented?"

Cornel Nica, deputy of the PER [Romanian Ecology Party]: The dispute around Recommendation 1201 boils down to one stingy thing: the PUNR [Romanian National Unity Party] and the UDMR [Democratic Union of Hungarians in Romania] are fighting each other so that they can continue doing their jobs. Both the implementation and the nonimplementation of the recommendation would cause a dispute in the counties of Covasna and Harghita.

Gyorgy Tokay, deputy of the UDMR: There would be no direct and immediate consequences in the counties of Covasna and Harghita unless the executive were to forward to the legislative, and the latter were to pass, a special bill on local autonomy. Eighty percent of the stipulations of such a bill would refer to the right to use one's mother tongue as well as Romanian, in public administration and in schools. Would this hurt anyone? On the other hand, autonomy can be achieved solely on territorial criteria, rather than on ethnic ones. One cannot grant autonomy just for the ethnic Hungarians in Covasna and Harghita, but rather for all the inhabitants of those counties. The issue we raised was that the local authorities should take over some of the responsibilities of the state, such as the preservation of the identity, language, and culture and the protection of schooling in the mother tongue of the ethnic minorities. No one intends to set up an army or mint their own currencies for the counties of Covasna and Harghita. The basic state structures would remain the same. The aforementioned counties would have some specific responsibilities—additional ones, as compared, say, to Vaslui County, where the issue of the preservation of the ethnic Hungarians' culture does not arise. They are also circulating an idea according to which parallel administration bodies are to be set up in the counties in which the ethnic Hungarians are the majority population. This is a false idea. It seems to me that there are people who try to prevent the establishment of local autonomy in this country, although it is stipulated by Law 69. They do so because they think the state is sufficiently wise to know what the inhabitants of Vaslui or Covasna Counties need, perhaps even better than the inhabitants themselves. I suspect that if there were genuine local

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autonomy in this country our claims would not be rejected. At least that is what I think. Despite the aforementioned specific nuances, our demeanor has serious supporters both in the country and abroad. A mistake made by Vacaroiu was his declaration saying that Recommendation 1201 is anticonstitutional. This is no reason. In the domain of international law such assertions are purely political excuses behind which one sees their wish to cling to power.

Ioan Pop, deputy of the PUNR [Romanian National Unity Party]: If Recommendation 1201 were to be implemented in the counties of Covasna and Harghita, this would mean the exclusion of the ethnic Romanian minority from decisionmaking—thus contradicting the stipulations of Law 69, in its current form, regarding their participation in local elections on the slates of various political parties.

Besides this, the decisions that could be taken by the ethnic Hungarian majority on the basis of Recommendation 1201 could be extremely harmful for the ethnic Romanian minority.

Second, such decisions could be in total conflict with national legislation and even with the Constitution of the country. The UDMR claims are intended to impose dualism in as many segments of life as possible, beginning with schooling and ending with state administration and justice. Ultimately the UDMR wishes to set up a parallel local authority, which could become effective as soon as Recommendation 1201 is accepted. We protest such manifestations of the ethnic Hungarians.

Adrian Severin, deputy of the PD [Democratic Party]: In those regions of the country in which the ethnic majority of the country is a minority, it should benefit from the same protection as other ethnic minorities do on the national plane. Although I presented this stipulation to the Council of Europe, it cannot be found in the text of the Framework Convention on ethnic minorities.

Ion Diaconescu, deputy of the PNTCD [National Peasant Christian-Democratic Party]: As a practical consequence of implementing Recommendation 1201 in those two counties, an autonomous self-governing Hungarian region would be set up. This would be a region in which Romanian would cease to be the official language, and would be replaced by Hungarian, while Romanian will probably be tolerated. Romania will not be a national state, but rather a federal one, in which besides the majority nation the existence of nations speaking other languages would be thus acknowledged. We accept that individuals speaking other languages should be granted rights, but any organization on ethnic principles would lead to segregation within the Romanian community and even to the disappearance of our country's character as a national and unitary state. The PNTCD expresses its suspicions with respect to "a measure to this effect deemed possible by the UDMR," in the future—as one can deduct from that party's stance regarding the Trianon Treaty—considering it a step preparing further developments, which could also include the altering of the borders. Generally speaking, the UDMR claims are aimed at goals that go beyond the achievement of territorial autonomy—which is one more reason for us to reject Recommendation 1201.

Oliviu Gherman, senator of the PDSR [Social Democracy Party of Romania]: One of the most damaging consequences of the implementation of Recommendation 1201 is the establishment of territorial autonomy on the basis of ethnic principles as stipulated by Article 11 of the recommendation. Second, this document also provides for the possibility that inscriptions in a sole language should be posted in autonomous regions, in which the official language of the country would possibly become just a tolerated one. [passage omitted]

Dan Cristian Popovici, deputy of the PRM [Greater Romania Party]: Recommendation No. 1201 was rejected by the majority of the European states because it may generate instability and affect the constitutions of very many countries. In the case of Romania it could even lead to the federalization of the country, which is just what certain East European countries seem to be wishing. What the West wants in particular is stabilization, because they reached the conclusion that to a certain extent we lack stability. I repeat: The implementation of the recommendation would encourage certain destabilizing circles and I do not believe that any Romanian citizen, regardless of whether he voted in favor of or against the Constitution, would wish such a thing. [passage omitted]

Petru Tanase, deputy of the PDSR: That is a resolution passed in 1993 in the form of a recommendation, which means that no other value can be ascribed to it. I believe that too much consideration has been given to this document, which within two years has led to what one currently sees in Europe. But what Europe needs is peace. The problem is that there are a few who create theories without any viability.

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Foreign Minister Ljubijankic on Talks in Europe

AU2903112095 Sarajevo VECERNJE NOVINE in Serbo-Croatian 24 Mar 95 p 4

[Interview with Bosnia-Herzegovina Foreign Minister Irfan Ljubijankic by M. Micevska; place and date not given: "Karadzic Should Remain Isolated"]

[FBIS Translated Text] Bosnia-Herzegovina Foreign Minister Irfan Ljubijankic returned to Sarajevo after a two-week working visit to six countries, where he exchanged views with his colleagues on promoting diplomatic relations.

[Ljubijankic] I met with Mr. Hurd in Great Britain, and we agreed that it is necessary to have closer contacts, which resulted in appointing an ambassador to Great Britain. As far as the crisis in the former Yugoslavia is concerned, we agreed that the mutual recognition of the former Yugoslav states was a political movement that would lessen the tensions in the Balkans. We agreed to direct our diplomatic efforts to that aim.

[Micevska] The peace process in Bosnia-Herzegovina was also the topic of your meeting with Greek Foreign Minister Papoulias.

[Ljubijankic] We talked about the further isolation of Karadzic, which is a very useful option and may influence him to accept the Contact Group plan. Apart from that, we talked about the Greek influence on Milosevic. We agreed that it was necessary to intensify activities in order to make him recognize Bosnia-Herzegovina. During the visit to Greece, we also discussed promoting mutual diplomatic relations.

[Micevska] The visit to Copenhagen—that is, to the UN summit on social development—was also noticed.

[Ljubijankic] Regarding the participation of our delegation in the summit conference, we were very critical toward it. We pointed out the paradox that, while the international community was concentrating on global social issues and long-term solutions, the social status of the population in the blocked towns of Bosnia-Herzegovina—only several hundred kilometers away—was unbearable. We reminded them of the fact that babies in Bihac were dying because of food shortages.

[Micevska] Yours and President Izetbegovic's visit to Bonn was very important and was followed by the people.

[Ljubijankic] President Izetbegovic was paid the highest honors. His speeches before German Parliament groups, the Foreign Policy Committee, and the German Foreign Policy Society were highly appreciated.

Regarding my talks with Minister Kinkel, we established the stages in which German aid for reconstructing the Sarajevo University Hospital will be received. Germany took on the sponsorship of that hospital and urged the other EU members to take on similar sponsorships in our country. As the first step, Germany sent instruments to the Neurosurgery Department. This is only part of the help that will be sent to Sarajevo.

[Micevska] During the visit to Paris, apart from meeting Mr. Juppe, you also signed the Pact on Stability in Europe.

[Ljubijankic] We supported the document, but we pointed to the flagrant violation of the pact in Bosnia-Herzegovina and to the extreme nationalism as the main impediment to stability in Europe.

We proposed the strengthening of economic interdependence among European countries and the intensification of integration processes in Europe, including the integration of the states from the territory of the former Yugoslavia into the European Community as a way of reaching this aim.

[Micevska] According to Ljubijankic, the visit to Croatia consisted of talks on strengthening the federation. The minister participated in the "TV Parlament," a Croatian Television program, and presented his views on that issue.

Commentary Speculates on Change in Mandate

AU2803084495 Sarajevo OSLOBODJENJE (Bosnian) in Serbo-Croatian 20 Mar 95 p 2

[Commentary by Zoran Pirolic: "Remedy in a New Mandate"]

[FBIS Translated Text] March 14th was a bad day for the blue helmets in Sarajevo. The diplomatic mission of the special envoy of the UN secretary general for former Yugoslavia, Yasushi Akashi, to Sarajevo and Pale ended up as a real fiasco, without a single concrete result achieved. A spark of human emotion pierced for a moment the hard shell of the veteran UN official when he stated to the journalists gathered at Sarajevo airport that eight French UN soldiers had been killed and five wounded when their armored vehicle fell into a ravine on their way back from Mount Igman.

The death of nine French soldiers in the armored vehicle (nine, because one of the wounded later died) speaks for itself of the paradox of the UN mission in Bosnia. The entire animosity of the Bosnians for the failure of UNPROFOR [UN Protection Force] in this country falls on the soldiers on the ground, even though they are least to blame for that. The 13 French soldiers went to clear mines from the Krupac quarry, on the very front line. Their assignment ended up in the ravine at Mount Igman. Who knows what kind of abyss is awaiting the bureaucrats in the UN leadership, who are trying to clear the mines from the road to the political settlement of the crisis in former Yugoslavia. Even in the case of a failure, they may hope for fresh promotion.

One of the mines seems to have been cleared away, though. Croatian President Franjo Tudjman has agreed

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to extend the mandate to UNPROFOR, under a different name, with a reduced number of troops and different tasks, which are still unclear. How that mandate will look has not been clear even to the EU foreign ministers, who concluded yesterday their meeting in the French town of Carcassonne. The demand sent to the UN secretary general, Butrus Butrus-Ghali, from the idyllic French town to define precisely and clearly everyone's tasks, from top to bottom, that is, from the secretary general to the soldier on the ground, means nothing. The 500 soldiers deployed at the border dividing Martic's from Karadzic's Serbs will be little more than clay pigeons. The ball kicked off by Zagreb has been immediately accepted by the Macedonians, demanding a change of the UNPROFOR mandate in Macedonia as well.

Bosnia has its turn. It is already being rumored, cautiously and without revealing many details, about a change of the UNPROFOR mandate in Bosnia as well. Perhaps that will be the price that the so-called international community will pay for the prolongation of the cease-fire after 1 May. President of the Presidency of Bosnia-Herzegovina Alija Izetbegovic and Vice President of the Bosniak-Croatian Federation Ejup Ganic resolutely said in Bonn and New York respectively, that the cease-fire would not be extended after 1 May.

Some foreign media immediately saw their statement as a confirmation that the Bosnian Muslims are now starting a war dance in the Balkans. Just as the most influential Western countries, after the thunderous announcement of President Tudjman regarding the expulsion of UNPROFOR from Croatia, directed all their efforts to persuade Zagreb to give up the decision, the blade of the pressure will now be put on Sarajevo. Butrus-Ghali has already announced in his own style, cautiously and reservedly, that the mandate and mission of UNPROFOR in former Yugoslavia might be divided into three separate UN actions in Croatia, Bosnia-Herzegovina and Macedonia. Does that mean that the United Nations, and particularly France, Great Britain and Russia are giving up the favorite idea of reviving the Yugoslav community, in this or the other way? The UNPROFOR mission was one of the last attempts to revive that Balkan union.

What could a new mandate of UN peacekeeping forces in Bosnia be like? The Croatian formula is definitely inappropriate for this country, because UNPROFOR, according to its mandate, does not protect the results of the Serbian conquests in Bosnia-Herzegovina, even though it sometimes appears that, in view of its artificial and feigned impartiality, that is precisely what it is trying to do. We have already seen what international control at the most sensitive borders of Bosnia-Herzegovina—those facing the Serbian-Montenegrin federation—is like, and it has proven to have more holes than an Emmentaler cheese. A changeover from the peacekeeping operation to the peace-imposing operation is almost impossible. None of the permanent member states of the UN Security council, including the United States as well, will back that option, because it means a military intervention in Bosnia-Herzegovina, only in a different fashion. A mandate that gives more authority to the soldiers on the ground and requires a more energetic approach to the aggressor means nothing. Those are nice words, without real meaning. The cosmetic changes in the mandate of the peacekeepers in Bosnia were made occasionally even before, but that sort of facelift did not improve the image of UNPROFOR. Any essential change of the UN mission in this country, given the current power structure in the UN Security Council, is impossible. Minor changes in the tasks of the blue helmets in Bosnia-Herzegovina will not improve their efficiency, either in the short or in the long run, nor will they bring us a single step closer to peace.

The strong political support to the Bosniak-Croatian Federation and powerful financial injections to this community show how the world projects the further course of events in Bosnia-Herzegovina. The world will invest everything in the Federation, that is, its political support, money, projects on reconstruction and development, experts and good intentions, all the more if in that part of Bosnia-Herzegovina the elements of the joint state, democracy, stability and legal order begin to grow stronger. We accept money, gentlemen, but please, without a war!

Croat Leader Ivan Bender on Division of Bosnia

LD2803165295 Belgrade SRNA in Serbo-Croatian 2006 GMT 27 Mar 95

[Item received by fax]

[FBIS Translated Text] Mostar, 27 Mar (SRNA)—Former Bosnia-Herzegovina will soon be divided in two parts—one will belong to Serbia and the other will have confederal links with the Republic of Croatia, Ivan Bender, chairman of the chamber of deputies of Herceg-Bosna, has told HRVATSKI LIST.

"Bosnia-Herzegovina as it was before is not possible any longer because of the impending partition, and how it will be carried out depends on Croats, Serbs, Muslims and the international community," Bender said.

According to Bender, "former Bosnia-Herzegovina can exist only as some kind of a loose union but only if some changes are carried out regarding the overall policy."

Speaking about the status of [Bosnian] Croats, he pointed out that "the Croat republic of Herceg-Bosna is the only guarantee of their survival."

"The Serbs will decide their status on their own because they are well organized", Bender said and warned: "The Muslims will try to set up an Islamic state in the part of former Bosnia-Herzegovina currently controlled by the Croat defense Council and the Muslim army, but we will not allow this to happen."

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Vows To Preserve Herceg-Bosna

LD2903122395 Zagreb Radio Croatia Network in Serbo-Croatian 1100 GMT 29 Mar 95

[FBIS Translated Text] In response to Alija Izetbegovic's recent speech at a session of the Party of Democratic Action's main committee, Ivan Bender, the chairman of the chamber of deputies of the Croat republic of Herceg-Bosna, says:

[Begin Bender recording] I am suspicious regarding the sincerity of the Muslim attitude to the process of implementing the Muslim-Croat federation. They will do their best to set up their own Muslim state in this area. However, I can say with full responsibility that a Jamahiriyah [rule of Islam] will never exist in this area. The Croat people are now strong and capable enough to preserve what they possess now and take the territories that belong to them historically and in all other ways. We support the setting up of the federation but, as you said, only if the Croats have equal status with the Muslims. We will not allow the setting up of some other type of state in which Croats would be ordered about by someone else.

In order to secure this, we will maintain the Croat republic of Herceg-Bosna. We will set up grand counties [cantons] and everything else envisaged by the Muslim-Croat federation but it is certain that the issue of final resolution in this area will not be settled easily and we will not let anyone impose their will on the Bosnian Croats. [end recording]

Calls For Assembly Boycott

LD2903143195 Zagreb Radio Croatia Network in Serbo-Croatian 1300 GMT 29 Mar 95

[FBIS Translated Text] Ivan Bender, speaker of the Chamber of Deputies of the Bosnian Croat republic of Herceg-Bosna, called on Croat deputies in the constituent assembly of the Bosnia-Herzegovina Federation not to attend a session scheduled for 3 April in Sarajevo. He was prompted to make this call by the fact that the session was convened by the assembly's secretary instead of by chairman Mariofil Ljubic despite procedure as set out in the rule book. The club of Croat deputies put forward a proposal that the session take place in Novi Travnik or some other town on the territory of the Croat republic of Herceg-Bosna.

Zubak: Rights Denied to Federation Croats

95BA0199A Belgrade VECERNJE NOVOSTI in Serbo-Croatian 6 Mar 95 p 5

[Article by TANJUG: "Croats Unequal"]

[FBIS Translated Text] Kresimir Zubak, president of the Muslim-Croatian Federation, has said that the leaders of the Bosnian Muslims do not want to accept the absolute equality of Croats in Bosnia and that they are trying to make that equality impossible by extending the life of the "Republic of Bosnia-Herzegovina" in which the principle of majority decisionmaking is in effect.

The main conflict between the Muslims and Croats arises from differing political options, Zubak said in an interview published yesterday in NOVI LIST of Rijeka. From what he said, the Croats are committed to Bosnia as a state community of the federal-confederal type, but the Muslims have set their sights on the concept of a unitary Bosnia, although they will have to give that up.

Zubak warned that the documents adopted by the Muslims indicate that they also had been playing on the option of a division of Bosnia. "Accordingly, if they can do it, why not we as well?" Zubak said.

He said that Alija Izetbegovic had been proposing a division of Bosnia. Zubak recalled that the only document allowing a splintering of Bosnia-Herzegovina is the one signed by Izetbegovic and Momcilo Krajisnik, because it, he said, allowed the Serbs to decide in a referendum within two years whether they want to remain in Bosnia-Herzegovina.

We know that the Muslims have also been in contact with the Serbs for a long time now and that the talks are very serious, Zubak remarked. His assessment was that opposition forces have emerged in Pale to take the view that an agreement on Bosnia can be reached on the basis of the plan of the Contact Group. This is encouraging, Zubak feels, above all because there is now a desire even on that side to reach an agreement.

"The fact that they want it in one way and we in another need not mean that we cannot find some solution," Zubak stressed. It is possible, he added, "that we might even agree to the Serbs entering into some form of confederal relation with Serbia," but then we would have to precisely define relations between the federation and that part.

Commentary on Aggressor's 'Obvious Difficulties'

AU2803071895 Sarajevo OSLOBODJENJE (Bosnian) in Serbo-Croatian 23-30 Mar 95 p 2

[Commentary by Neven Kazazovic: "The War and the Spring"]

[FBIS Translated Text] This spring the aggressor is facing many obvious difficulties. They are: the weakening of his internal cohesion, political conflicts within the leadership, the strengthening of regionalism, which, in addition to the political, also has military significance, because, for instance, the particularities of the [Bosnian] Krajina and Banja Luka in the political sense have a military aspect in terms of the status and position of the Banja Luka-Krajina Corps. The second problem is of a political nature: their persistent rejection, or rather conditioning, of the Contact Group peace plan. This has, in its own way, intensified the pressure and tension on the Pale (Knin)-Belgrade axis, but at the same time it has put

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the Pale leadership in a position where, whether they want it or not, they will eventually still have to do as Belgrade tells them.

The strategic goal of the aggressor to cause dissension between the Croats and Bosniaks, to crush the Federation, and to revive by whatever means the cooperation with Zagreb regarding the partition of Bosnia has proven unattainable as well. From the military point of view, the situation is complicated for them, too, with the attacks against the 5th Corps proving abortive and extremely unsuccessful, while in general the Bosnia-Herzegovina Army has continued to strengthen its internal organization and military structures, based on the view that the new, liberation phase of the war started as early as last year.

Furthermore, the prospect of the inflexible attitude of the Pale leadership toward the Contact Group plan eventually bringing about the lifting of the arms embargo against Bosnia-Herzegovina hangs over the head of the Serbian aggressor like the sword of Damocles, even though he is making efforts to strengthen his lines and get as much weaponry from Serbia and Montenegro as possible. It is worth noting that those arms are predominantly of Russian origin! The arms supplies, however, have not been free from problems, though. First, the Yugoslav Army is no longer a bottomless pit and the question of arms supplies is closely bound up with the attitude of Belgrade. Which means that at one moment, if Belgrade decides that it is more profitable, a barrier may be erected in that respect as well. The greatest weakness, however, is the one that is least visible, that is, the fundamental motivation for war. The aggressor soldier knows that the sacrifice that he is required to make is huge, that all those reasons he agreed to fire the gun thrust upon him have become more or less flimsy, and that he was told one thing, while something totally different eventually emerged.

What is important is that, as time goes by, all these weaknesses can only become even more explicit, thereby bringing about a situation even more uncertain for the architects of the aggression against Bosnia-Herzegovina. From the aggressor's point of view, in order to improve the situation and prevent the further erosion at least to a degree, an extremely active relationship must be effected, in which the aggressor will be incessantly trying to call the shots. This does not mean that the Serbian aggressor will now launch any violent offensives, that there will be barrages of guns all at once and everywhere. In fact, he will start with the tried and tested method of low-intensity conflict. Which means that, in addition to the military, he will be using all other methods of, let us say, special warfare. After all, it is known that the low-intensity conflict, by a narrow definition, is essentially special warfare. Explicitly military operations, that is, attacks, will be carried out in those places that are considered to provide conditions for absolute success.

Indeed, by this kind of warfare the aggressor will try not only to damage the Bosnia-Herzegovina Army and Bosnia-Herzegovina itself, but also, as much as possible through the methods of special warfare, to secure his personal stability and advantage, as well as to improve or diminish all the previously mentioned weaknesses. He will act indirectly quite frequently, as he is already doing, after all.

By attacking civilian targets, towns, and enclaves (civilian objectives) in the first place, the aggressor will endeavor to bring about a situation in which the Bosnia-Herzegovina Army will be forced to be passive. Through blockades, starvation, and a broad range of terrorist pressures, he will endeavor to eliminate the foreign factor, UNPROFOR in the first place, as well as to create such conditions in the state of Bosnia-Herzegovina that would directly affect its internal stability, its firmness, its resolve to establish an integral and democratic state, and its intentions to liberate the temporarily occupied regions, either politically or militarily.

Taking into consideration everything that is happening on Mt. Majevica, in Tuzla, Bihac, Travnik (after the fighting at Galica), Srebrenica, Gorazde, and Sarajevo, this phase of the war has obviously started. However, one question certainly remains: How will the aggressor be able to cope with such complicated methods and such diverse goals?

Karadzic on UN, NATO Air Strikes, Sarajevo

AU2803202695 Paris AFP in English 1953 GMT 28 Mar 95

[FBIS Transcribed Excerpt] Sarajevo, March 28 (AFP)—Bosnian Serb leader Radovan Karadzic Tuesday [28 March] warned he would consider UN forces as "enemies" if the United Nations called for NATO air strikes against the Serbs.

Interviewed by Bosnian Serb television news in Pale, outside Sarajevo, Karadzic said that "if the UN demands that NATO act against us we shall consider them enemies."

"If they act as Moslem allies they will be treated as enemies," he added. [passage omitted]

He added that Bosnian Serb forces had managed to break a government offensive launched last week in central and northeast Bosnia and were preparing to launch a counterattack.

"If they continue their offensive, there will be no territorial deal," he said, referring to plans for partitioning the country between Serbs, who currently hold 70 percent of the land, and the Moslem-Croat Federation which holds the remainder.

Speaking of Sarajevo, he said that 30,000 to 40,000 Serbs were "suffering" there.

"If the war flares and continues, we shall certainly be more ambitious regarding Sarajevo," he said, repeating earlier demands for partition of the city between Moslems and Serbs.

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"It cannot be solely a Moslem city. It can either be divided into two cities or belong only to the Serbs as all its surrounding areas belong to the Serbs," he said.

Warns Muslims About Attacks

LD2903102895 Belgrade SRNA in Serbo-Croatian 0910 GMT 29 Mar 95

[Received via fax]

[FBIS Translated Text] Sarajevo, 29 Mar (SRNA)—Radovan Karadzic, the president of the Bosnian Serb republic and the supreme commander of its army warned yesterday that any Muslim offensive would be punished by our capturing even more of the Muslim-held territory.

"Our main goal is the recognition of and independence for the Bosnian Serb republic and its territorial integrity. If this cannot be accomplished in a peaceful and political manner as soon as possible, we will have to leave it to the soldiers to define the map of former Bosnia-Herzegovina and its borders. The map will be very different from the current one," Karadzic told Bosnian Serb TV.

Stressing that the Serb army had rigorously punished previous Muslim offensives in Cerska, Gorazde, Trnovo, and Bihac, President Karadzic announced a major Serb counterattack on Mount Vlasic and Mt. Majevica.

"Muslim units on Mt. Vlasic and Mt. Majevica are encircled by Serb territory. These people are being sacrificed. We have issued directives and tasks envisaged for a possible Muslim offensive. They are being implemented well but the snow is slowing us down slightly," Karadzic explained.

He pointed out that civilians in Tuzla were completely safe and that the Serb army would respect "the safe area" if there were no Muslim soldiers in it.

"The civilians are safe but the Muslim army will not be safe anywhere because it has carried out an aggression against the Bosnian Serb state," Karadzic pointed out.

Insists on Sovereign State

LD2903132795 Belgrade SRNA in Serbo-Croatian 1233 GMT 29 Mar 95

[Received by fax]

[FBIS Translated Text] Belgrade, 29 March (SRNA)—Dr. Radovan Karadzic, president of the Serb republic, has said that "the Serb republic must be a sovereign and independent state and that the Serbs will never accept anything less than a state."

In an interview for today's edition of the Belgrade weekly TELEGRAF, Dr. Karadzic explained that "if it is necessary, the Serbs can consider the possibility of entering some kind of a union with others but it must be a European type of union which means a union of sovereign states."

"However, if the Muslims renew clashes with the blessing of the international community there will be no more cease-fires until the war ends and that will then be a total defeat of the Muslims," Dr. Karadzic said.

According to Dr. Karadzic, Serbs will never accept a Muslim and Croat state and the international community must finally understand this. Otherwise, it will have to calculate the number of dead it will bury to set up Tudjman's and Izetbegovic's state.

The president of the Serb republic reiterated that territorial deals are possible only if there is a political resolution of the war and that, in case of a military resolution, borders will definitely be determined by the situation on the ground.

Speaking about internal problems and confusion, Karadzic said that democracy is so vital for the Serb republic that there is still no need for a political struggle against political adversaries. "We are sure that the people will recognize the truth because we in the Serb republic have had the smallest number of scandals out of all former Yugoslav republics. It is likely that we also have profiteers but they are among our political adversaries and not in the government," Dr. Karadzic said in conclusion.

War Tax Levied on Serbs Working Abroad

95BA0200B Zagreb VJESNIK in Slovene 7 Mar 95 p 8

[Article by Nenad Ivankovic: "Pale Is Introducing a 'Patriotic Tax'"]

[FBIS Translated Text] *Karadzic's people have threatened draconian measures against everyone who does not respond to this poll tax: confiscation of apartments, houses, and other property in the areas controlled by Karadzic's Serbs, according to German media coverage taken from POLITIKA EKSPRES.*

Bonn (from VJESNIK's permanent correspondent)—Now Karadzic's Bosnian parastate is also trying to extort a war tax from Serbs working abroad. Admittedly, Pale cynically called that tax a "patriotic tax," and set it at the amount of 200 German marks [DM] per month per capita.

That was announced on Monday by some of the German media, citing coverage by Belgrade's POLITIKA EKSPRES. This has to do with the approximately 38,000 Bosnian Serbs working abroad who would have to pay that tax. According to that same source, Karadzic's "regime" threatened everyone who does not respond to that poll tax with draconian measures: the confiscation of apartments, houses, and other property in the areas controlled by Karadzic's Serbs.

The Bosnian Government had a similar idea even before Karadzic. It also introduced a war tax in the amount of 10 percent of total income. Anyone who did not want to pay could not obtain a passport or any other consular

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services. The matter assumed such dimensions that the German Government had to intervene at one time. Afterward, Sarajevo promised that it would no longer force its citizens working in Germany to make that kind of contribution.

Karadzic, whose "state" is not internationally recognized, naturally does not have any ability to exercise consular retaliation against Bosnian Serbs, so he decided on what means he had available at home. The idea of confiscating the homes and property of disobedient guest workers clearly shows what kind of legal state the Pale parastate is in and what sort of "regime" is ruling there. At the same time it also says something about the situation that the Bosnian Serbs are in. They are obviously having financial and economic trouble, and obviously cannot hold out too longer in the present circumstances.

In view of the intransigence and fanaticism of their leaders, their rivalry with Belgrade, and the attempts to win Knin over to their side, it seems that there is no great hope that the difficult economic situation could induce Karadzic and his associates to make political compromises. On the contrary, someone who threatens his own citizens with the confiscation of their property over a debt of DM200 cannot behave any differently with his neighbors. The more difficult the "domestic political" and social welfare situation the Bosnian Serbs' leaders are in, the more aggressive and of course the more unpromising they will be externally.

Koljevic on FRY Recognition of Bosnia, Croatia

AU2803160195 Belgrade NASA BORBA in Serbo-Croatian 27 Mar 95 p 2

[Article by Z.R.: "Koljevic: 'FRY Will Not Recognize Bosnia-Herzegovina and Croatia'"]

[FBIS Translated Text] Kragujevac—Nikola Koljevic, vice president of the Serbian republic [Serbian entity in Bosnia-Herzegovina], said yesterday that he did not believe that Belgrade would soon recognize the former Yugoslav republics of Bosnia-Herzegovina and Croatia.

"To judge by the statements by FRY officials, that can only happen once the issues of the former Bosnia-Herzegovina and the republic of Serbian Krajina are solved," Koljevic told the Stamp of Time program on Radio Kragujevac.

Asked to comment on the latest peace initiatives on Bosnia, Koljevic said that at the moment the only positive development was that diplomatic activities were gaining momentum. "We are yet to see what they will lead to, but it is always better to have more diplomacy and less fighting," the Serbian republic's vice president said.

Krajisnik Says Russian Initiative 'Devastating'

AU2803162395 Belgrade NASA BORBA in Serbo-Croatian 27 Mar 95 p 2

[Report by FoNet: "Krajisnik: 'Milosevic Will Not Make a Mistake'"]

[FBIS Translated Text] Pale—Momcilo Krajisnik, chairman of the Serbian republic assembly, said last Saturday [25 March] in Pale that the latest Russian initiative for ending the war in Bosnia was not much different from the Contact Group peace plan earlier offered.

SRNA reported Krajisnik as saying: "One cannot propose after three years of war and the mistake made with the recognition of Slovenia and Croatia that the FRY should recognize the former Bosnia-Herzegovina and Croatia in exchange for the easing of the sanctions. That would be a catastrophic mistake."

Asked to comment on the information that President Milosevic took part in the preparation of the Russian initiative, the chairman of the Serbian republic assembly stressed that, if this was true, "it would be devastating for the entire Serbian nation, and would represent Milosevic's contribution to the continuation of the war."

"I am convinced that President Milosevic will not make a mistake, since he has said on several occasions that the FRY will not interfere in the crisis in the former Bosnia-Herzegovina and that he will accept any solution that is reached through the agreement of the three nations," the Serbian republic assembly chairman stressed.

Bosnian Serb Industrial Capacities, Production

AU2903160595 Sarajevo OSLOBODJENJE (Bosnian Serb) in Serbo-Croatian 21 Mar 95 p 8

[Article by R. Kenjic: "We Must Start Breaking the Blockade"]

[FBIS Translated Text] The industrial capacities of the Serbian republic [Serbian entity in Bosnia-Herzegovina] are great and significant, but by their very nature they can achieve their full potentials only in terms of postwar development and certainly not until the economic embargo is lifted, because in some industrial sectors capacities considerably exceed the needs of the republic. Such is the case with the oil refineries in Slavonski Brod [in Croatia] and the Modrica car factory and factories for steel ropes, ball bearings, engines, dismantling tools, and electrotechnical products, and the wood-processing industry.

In addition, there are also firms whose manufacturing capacities not only exceed the needs of the former Yugoslav market, but are also sufficient to satisfy a much broader market. Such are the capacities of Energoinvest, Sipad, UNIS, the tool factories in Trebinje, Cajavec, and Jelsingrad, and many textile, shoe and wood processing plants, as well as many other factories.

Our situation, however, does not allow for any better results: The utilization of capacity is at the moment only 10 to 15 percent, while, since the imposition of the blockade, the production in some industries has ceased altogether. Before the imposition of the blockade, the degree of utilization of industrial capacities, particularly

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in the textile and wood processing industry, was 35 percent. Now production has fallen by half. Other important data regarding the republic's available capacities and the conditions in which production is going on show that the majority of the industrial facilities in special purpose production, as well as those for the production of medicine and medical equipment, is located in those regions under the control of the Muslim-Croatian authorities, those being products that are extremely important during wartime.

Knowledge Cannot Be Blockaded

Despite all these aggravating circumstances that our businessmen and executives face, they are still coping and managing to come to terms with them. According to Milovan Matrusic, aide to the minister for industry and electricity production:

"The metal-processing industry has made great efforts to convert to partly to special purpose production, while the textile industry has partly switched production to the needs of hospitals. The oil refinery in Modrica has done much to repair its damaged capacities and has succeeded in meeting the needs for oil. It is our good fortune that we own technologies that are not outdated, while the transfer of new technologies and knowledge cannot be blockaded, so in this field we have already achieved some concrete results with the help of friends abroad. Thanks to modern technologies of work, the factory of reduction gears in Drvar, the Soko factory in Nevesinje, the UNIS bicycle factory in Ilidza, Cajavec in Banja Luka, and many other plants have produced extraordinary results in the course of the war and have supplied the market in the Serbian republic as well as in the FRY."

A great step forward under such difficult economic conditions has been made by FAMOS [Engine Factory Sarajevo] in Sarajevo. The workers of this plant have succeeded in resuming the production of engines and have successfully put their products not only on the domestic market, but also on Romania's, which is quite praiseworthy.

The resumption of our own production lines, which means the finding of new partners among firms in Serbian countries, rather than in the secessionist republics of former Yugoslavia, has been made imperative for many other plants: Energoinvest's factories, the dismantling tools factory in Lukavica, the low voltage factory [as published] in Doboj, Trudbenik in Doboj, the Automatika factory in Ilidza, Soko in Nevesinje, the factory of reduction gears in Drvar, and the Terpentin factory in Visegrad.

Women Are Mostly Employed

Owing to the war conditions, the industry of the Serbian republic has been organized in such a way that priority has been given to the capacities that assist the defense of the country, the food industry, the textile and shoe industry, and only then the consumer goods industry. Therefore, as Mitrusic points out, throughout the war firms such as Svila in Celinac, Vezionica in Zvornik, the Knespoljka plant, Triko, Interplet and other textile factories, as well as Levita in Bosanska Gradiska, Sava in Bijeljina, Vitaminka in Banja Luka, Bimal and Bimex in Brcko, and other food-processing plants have been working overtime.

"It is very fortunate that these capacities of the textile and food-processing plants, whose production is extremely important in the current war conditions, employ mostly women and elderly people, while men have been active in the army. Even those men who are assigned to work in factories as necessary experts are required to spend seven days on the front every month," Mitrusic stresses.

As for other industries, the wood-processing industry works normally at least to a degree, because it has both raw materials and capacities. Unfortunately, however, it also has stocks of final products sufficient for the next three months, because of the difficulties in putting them on the market in the conditions of the blockade.

"As for raw materials, we have bauxite mines in Milici and near Mrkonjic-Grad. Therefore we have to create conditions to organize the processing of bauxite in the Birac factory for hydrated aluminium in Zvornik, because that is in the interest of the Serbian republic as well as of the FRY, which does not have such capacities," Mitrusic says, and adds: "We must start breaking the blockade."

Stocks of reproductive materials have been exhausted. In the past six months few new quantities of those materials have been obtained, so that the current workforce, which is not inconsiderable, is out of work.

Sarajevo Radio on Escalating Combat Activity

AU2903114295

[FBIS Editorial Report] Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian at 1000 GMT on 29 March carries in its regular 11-minute newscast several reports on the escalating combat activity in the republic.

Studio announcer Amra Durakovic says that "the aggressor's attacks on the defense lines and civilian targets in the 7th Corps theater of operations are not abating." She then introduces a report by an unidentified correspondent from the 7th Corps Press Center who says that "the enemy used mortars, howitzers, and tanks on the Mt. Vlasic front, while on the Komar part of the front they mostly used tanks. The region of Turbe also came under mortar fire, both the defense lines and residential areas." She goes on to say that "since early this morning, the aggressor has been unselectively shelling the town and suburbs of Travnik. The general alarm has been in force in the town for several days now, and the population is in shelters."

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The studio announcer says that our troops on the Mt. Majevica front have "destroyed two more tanks, thus bringing the total to four tanks destroyed in the past 10 days." She then proceeds to introduce a correspondent from the 2d Corps Information Service who says that "elite criminals [words indistinct] and military police of the East Bosnian Corps of the army of the so-called Serbian republic are fleeing the Mt. Majevica front. However, the aggressor still has sizable reserves of long-range shells, so they continue to shell civilian targets on the free territories of Zvornik, Teocak, and Kalesija from all available artillery pieces. As of this morning, Kladanj is also under enemy howitzer fire. The Serbian-Montenegrin aggressor and Karadzic's Chetniks this morning initiated combat operations on the Gracanica and Zvornik fronts. From the direction of Doboj, they fired hundreds of shells at the 2d Corps defense. The artillery preparation was a signal that the aggressor would launch infantry attacks, but the 2d Corps troops responded energetically and thwarted this intention."

Bihac correspondent Muhamed Mulic reports that "the joint aggressors and the Kladusa paramilitaries are sporadically shelling the Bosnia-Herzegovina Army 5th Corps positions from all types of artillery pieces and tanks. Movements of the enemy units have been sighted in the UN Protection Areas, their tanks are crossing the Bosnia-Herzegovina border and are engaging in combat operations against the Bosnia-Herzegovina Army." He goes on to say that "some 20 explosions, small arms fire, and sniper fire" have been reported on the fronts at Bosanska Krupa, the Grmusa-Srbljani Plateau, the Grabez Heights, and around the Bihac safe zone.

Studio announcer Durakovic introduces a report by Gorazde correspondent Mustafa Kurtovic who says that "the situation is particularly difficult in the Vitkovici area," but that there have been no casualties. Kurtovic cites information supplied by the 81st Division and says that "Karadzic's Serbs are using antiaircraft and infantry weapons against Hrenovica."

Muslims Unable To Break Serb Defense at Majevica

LD2803172395 Belgrade SRNA in Serbo-Croatian 1616 GMT 28 Mar 95

[Item received by fax]

[FBIS Translated Text] Bijeljina, 28 Mar (SRNA)—Muslim units have not been able to penetrate the Serb defense lines during the ninth day of their latest offensive on Mount Majevica.

According to a statement by the press center of the [Bosnian] Serb army's East Bosnia Corps, today's fiercest attacks are again directed against Serb positions around the Stolice relay complex and Banj Brdo.

Unable to break through Serb defense lines, the Muslims have been targeting Serb villages in the Lopare municipality with long-range artillery.

There have been no reports of any consequences of the attacks.

According to Croat Herceg-Bosna radio reports, around 300 Muslim soldiers have been killed in the nine-day long offensive on Mount Majevica and many more have been wounded.

Banja Luka Radio on Military Situation 27 Mar

AU2903142795

[FBIS Editorial Report] Banja Luka Srpski Radio Network in Serbo-Croatian at 1800 GMT on 27 March carries in its regular 30-minute newscast 10 reports on the fighting in the region.

Ljubomir Ljubojevic reports that there has been fighting all day on the Majevica front and that the "Muslims attacked Serb positions along the entire defense line around the Stolice relay station." He also says that "the Muslims have been bringing in fresh forces" from Tuzla "to prevent the complete failure of their offensive on Majevica." He added that "the best indication of the intensity of the fighting is the over 300 projectiles sent fired the Serb defense lines and civilian targets." The Serbs are responding with the same intensity.

The Press Center of the 1st Krajina Corps reports that "the Muslim offensive on Vlasic" was stopped yesterday by a Serb counterattack, "inflicting great losses on the enemy. Many Muslim groups have been cut off and lost in the snow."

The report also says that Serb army is breaking through on Mount Galica too, "thus creating the preconditions for the complete defeat of parts of the 3d and 7th Muslim Corps and for the return of the inhabitants of some of the villages, who had fled to Knezevo."

On the northeastern part of the Vlasic front, "late last night the enemy launched infantry-artillery attacks at Serb defense lines from (?Dugi Javorak) in the Sepirica region. There have been no casualties among the Serb soldiers, and today the situation was relatively calm."

Borislav Djuric reports on heavy fighting in the Donji Vakuf area. "Today, at around 1130 [0930 GMT], the Muslims fired six shells at the residential part of Donji Vakuf. One civilians was wounded. The people of Donji Vakuf spent the afternoon in shelters. At about 1230, the Muslims launched a heavy infantry attack from Mali Osredak toward Kljucka Kosa in the Semesnica area." During the morning, there were occasional infantry and artillery attacks. Serbs observed six buses with "Muslim soldiers going from Travnik toward Galica." The Serbs responded to all the attacks with the same intensity, and suffered no casualties.

Ozren Jorganovic reports on the situation in the Doboj area. He says that "the enemy increased the infantry activities within the past 24 hours, aiming at all the Serb defense lines." "Particularly heavy fire came from Simunovica Kuce, Sumarska Kuca, and Svalina" at all the

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Serb positions west of Doboj. The Serb troops "responded adequately." The correspondent adds that, on the Ozren-Vozuca front, there was infantry and artillery fire aimed at Ozren civilian targets, and there was infantry fire on the southwest and eastern part of Ozren, aimed at the separation line of the Vozuca defense front. He says that "the heaviest fire from all kinds of weapons came from Matuzici, Debelo Brdo, Mravici, and Sije, south of Doboj, aimed at the military and civilian targets in Pridjel, Sevarlije, and Potocani, on the right bank of the Bosna River. The Serb forces responded adequately." Jorganovic says that, on the Trebava front, there was "only occasional infantry fire, most often toward the positions northeast and east of Doboj, which the Serb soldiers responded to only occasionally."

An unidentified correspondent reports that, on the Teslic front, "the Muslims used only occasional infantry fire from Aris toward the Omerovo Guvno area and from Husar toward (?Elkaz), and there were no casualties among the Serb soldiers."

Stevan Panic reports that on the Kupres front "the members of the 7th Corps of the so-called Bosnia-Herzegovina Army continued to break the cease-fire. The enemy units launched a heavy infantry attack at the Serb defense lines in the Demirovac area" but that "the Serb units repelled the attack."

The Brcko Press Center reported that, on the Posavina front, "one Serb soldier was killed at about 1200 by Muslim fire in the Dubravice area, near Brcko." On other parts of the Posavina front, near Orasje and Gradacac, "there was occasional Croat and Muslim fire, which the Serb soldiers did not return."

Zeljko Radovanovic reports that "along the entire defense line of the Sarajevo-Romanija Corps, Muslim formations continue to employ most of their weapons. In the Blace area, a civilian was wounded at around 1200 by a sniper. The Rajlovac barracks were targeted from the Muslim positions at Sokolje. Regrouping was observed in Mijatovica Kosa area. Engineering activities were observed in Golub Brdo. Some infantry fire also came from the area." Radovanovic says there were no Serb casualties.

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Opposition Reacts to Tudjman-Gore Agreement

95BA0203B Maribor VECER in Slovene 14 Mar 95 p 5

[Article by Damijan Koletic: "Croatia Did Not Win Anything!"]

[FBIS Translated Text] *Most of the opposition parties think that President Tudjman retreated from his demands.*

Zagreb (from our associate)—Croatia did not win anything through the agreement on a new mandate for the international forces, according to Social Liberal Drazen Budisa, president of the strongest Croatian opposition party. In contrast to the statements by President Tudjman and representatives of the ruling HDZ [Croatian Democratic Community] about the alleged new victory for Croatian policy, almost all opposition representatives are applauding Budisa and saying that the president blundered.

The agreement between Tudjman and U.S. Vice President Gore talks only about monitoring and not about protection of the state border, and likewise does not mention the return of the refugees and disarmament of the paramilitary units, nor were any deadlines set. Budisa says that Tudjman was frightened by his own decision on canceling the UNPROFOR [UN Protection Forces] mandate, gave in to international pressure, and made a decision that is contrary to the express will of the Croatian people. "No one will take our determination seriously anymore," Budisa says.

The negative reactions on the Croatian domestic political scene are based on the fear that that situation will finally sanction the uprising of the Serbian areas and lead to the Cypriotization of the republic. Croatia actually will be "rewarded" by admission to European alliances, and will join the PHARE [Economic Reconstruction Aid for Poland and Hungary] program and become a member of the Council of Europe. That is also acknowledged by the opposition, which at the same time warns that that will only be an additional argument for further international blackmail of Croatia, which will cause serious difficulties internationally and domestically.

Envoy to UN: Yugoslav Officers in Occupied Area

LD2903074795 Zagreb Radio Croatia Network in Serbo-Croatian 0700 GMT 29 Mar 95

[FBIS Translated Text] Croatian Ambassador to the UN Mario Nobilo has handed over a list of 51 high-ranking Yugoslav Army officers to UN Secretary General Butrus-Ghali. They are serving in Croatia's occupied areas. The officers are still being paid by the government of the Federal Republic of Yugoslavia, Nobilo points out in his letter to Butrus-Ghali.

Nobilo also recalls UN Security Council Resolution 871, which clearly links the demilitarization of Croatia's occupied areas and the involvement of the Belgrade authorities with the sanctions imposed against the Federal Republic of Yugoslavia.

Parliament Adopts Conclusions on New UN Mandate

LD2803193795 Zagreb Radio Croatia Network in Serbo-Croatian 1700 GMT 28 Mar 95

[FBIS Translated Text] The Chamber of Deputies today accepted a set of conclusions on a report by Dr. Mate Granic, deputy prime minister and minister of foreign affairs in the Croatian Government, on the Copenhagen agreement and the implementation of mechanisms to facilitate the peaceful reintegration of the areas under temporary occupation. Here is a report by Sanja Rabuzin-Pavic:

[Rabuzin-Pavic] The conclusions introduced following coordination efforts by the chairmen of the parliamentary party clubs were read out by Vladimir Seks, vice president of the Chamber of Deputies of the Croatian Assembly:

[Begin Seks recording] 1. The Assembly of the Republic of Croatia will continue to adhere to its conclusions adopted on 27 January 1995 and referring to the termination of the UNPROFOR [UN Protection Force] mandate in the Republic of Croatia on 31 March 1995. Responding with understanding to appeals by the international community to maintain an international presence in Croatia and in order to help to promote a peaceful solution on its own territory, the Republic of Croatia is ready to accept new international forces, with a new mandate to be defined with the help of the United Nations once the mandate of the current UNPROFOR forces is declared terminated on 31 March 1995 in accordance with a demand by the Republic of Croatia.

2. In their name and mandate, the new international forces must specifically refer to the Republic of Croatia and have the word Croatia explicitly in its name and, in this sense, be separate from the international forces in other states affected by the crisis in southeastern Europe.

3. The new mandate for the international forces must clearly guarantee an appropriate and effective control [kontrola] of Croatia's international borders with Serbia, Montenegro, and the parts of Bosnia-Herzegovina controlled [kontrolirati] by paramilitary units of Croatian Serbs and must bring the regime of border crossings in the areas not under the control [kontrola] of Croatian authorities into line with Croatia's sovereignty and, in particular, with UN Security Council Resolution 820, Article 12, and UN Security Council Resolution 769.

4. The UN mandate should include operational measures for promoting a peace solution, including:

a) disarming and disbanding all rebel groups and units and demilitarizing the occupied Croatian areas;

b) the withdrawal of all occupation forces from the occupied territories of the Republic of Croatia and preventing more forces and units from Serbia and Montenegro and the Bosnian Serb forces from entering the territory of Bosnia-Herzegovina;

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c) securing a safe return for all refugees;

d) protecting and ensuring normal life for all people who lived in the currently occupied territories of the Republic of Croatia before the Serb aggression;

e) the immediate introduction of the authority of the Republic of Croatia in the so-called pink zones, and then in all of the currently occupied areas of the Republic of Croatia in line with the Constitution of the Republic of Croatia and the constitutional law on human rights and freedoms and the rights of ethnic communities and minorities.

f) setting up local police forces whose composition will reflect the prewar national composition of the population; and

g) implementing other provisions from the existing resolutions of the UN Security Council, especially Resolutions 815, 871, 947, and UN General Assembly Resolution 49/43m.

5. The Assembly of the Republic of Croatia believes it is unacceptable that the so-called Vance plan, which is an earlier temporary solution adopted before the recognition of the Republic of Croatia and its admission to the United Nations, should be used as a legal and political basis for the presence and activity of the international forces in the territory of the Republic of Croatia. [end recording]

[Rabuzin-Pavic] Foreign Minister Mate Granic told the Chamber of Deputies that the Assembly's conclusions would help Croatia's negotiating position in the final phase of negotiations. The Security Council will put forward its proposals to Croatia. Croatia will adhere to its positions and the resolution cannot be passed if Croatia does not accept it.

[Begin Granic recording] A certain technical extension for a certain period—of, for example, two weeks—is possible. That would be the probable sequence of events if the Security Council fails to reach an agreement with the Republic of Croatia. Of course, we will adhere to our positions even if it is extended by two weeks. The latest Security Council reports show that Croatia's stances have been given serious consideration, and we will insist on them until the end. [end recording]

[Rabuzin-Pavic] After the conclusions were adopted, the 24th session of the Croatian Assembly's Chamber of Deputies ended after 12 days of work.

Commentary on Izetbegovic's SDA Session Speech

LD2803215995 Zagreb Radio Croatia Network in Serbo-Croatian 2000 GMT 28 Mar 95

[Unattributed station commentary]

[FBIS Translated Text] In his address to the seventh session of the main committee of the Party of Democratic Action [SDA], the president of the Bosnia-Herzegovina Presidency, Alija Izetbegovic, spoke about the current military, political, and economic situation in Bosnia-Herzegovina. His introductory report was carried by the media. Andjelko Perincic reports:

[Perincic] A 10-minute speech by the leader of the main Bosniak party and head of the Republic of Bosnia-Herzegovina could hardly be thoroughly analyzed in a commentary of the same length, considering the number of theses he voiced in those 10 minutes. However, we should concentrate on some of his main theses.

Mr. Izetbegovic, whose role as a statesman we cannot ignore even in his appearances as party leader at party meetings, addressed the party's main committee, leaving his options open in the beginning. Namely, he said that Bosnia-Herzegovina had been successful in its diplomatic offensive and its military counteroffensive, referring probably to the fighting around Tuzla, which is why, as he put it, pressures could be expected in April, before the expiry of the cease-fire, he did not specify that the cease-fire was signed with the rebel Serbs. He does not specify whose and which pressures could be expected, so it is easily possible that he will proclaim as pressure any opinion contrary to his own, even if it comes from his own ranks, from his own state, or from closer or more distant international circles.

Mr. Izetbegovic goes on to say, at a time when less than one-third of sovereign Bosnia-Herzegovina is free, that: the federal setup is possible and desirable, but only as a federation of cantons, not of national territories. There you go: for him the federation is only a possible and desirable setup, even after firm agreements and only a year after he put his signature on the Washington Agreement. At the same time, Mr. Izetbegovic sets certain conditions because he demands a federation of cantons and not of national territories, and these conditions should no longer be discussed at all because they were determined a year ago in the Washington Agreement.

It would be interesting to hear Mr. Izetbegovic's answer to the following question: If he has ruled out national territory in the setup of the federation in such a sweeping statement, although he is the first among equals according to the spirit and letter of the Washington Agreement, how would he like to abandon the Bosniak enclaves in eastern Bosnia which are under Serb encirclement and abandon his compatriots to, as he usually says, the occupation forces, without specifying that they are Serbs?

Mr. Izetbegovic went on to speak in favor of a democratic, multiethnic, and multiparty state. We are supposed not to notice that Mr. Izetbegovic forgets that the word state originally refers only to the apparatus of the authorities, and not to the integrity of the republic, to which he was obviously referring. It is much more dangerous, however, that he contrasted this concept of his with, allow me to quote again: a retrograde, one-ethnic, one-religion, one-party concept of Karadzic's SDS [Serb Democratic Party] or Boban's HVO [Croat Defense Council].

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To say the least, Mr. Izetbegovic maliciously confounded the role of Mate Boban and his authority over the Croat Defense Council. We should remember that the HVO is not anyone's private dowry, not even Mate Boban's, but an army which sprang out of defense motives of the Croat people in Bosnia-Herzegovina. Mr. Izetbegovic, as a head of state, should know this.

Second, he maliciously identified an army with a political party.

Third, he linked the party [SDS] which is beyond the pale of justice, legality, humanity, and morals with the defense formation that was the first to mount resistance to the large-scale banditry of the army whose ideology was based on Karadzic's SDS, and also the most effective in doing it.

In this context, it is impossible to avoid Mr. Izetbegovic's next paragraph, in which he spoke again about the enemy, in singular and without specifying him. He immediately went on to say: we are democrats and they are fascists; we want a unitary Bosnia and they want to grab a part of disintegrated Bosnia. He went on to say: after all, we are a state, and they are parastates; our army is an army and theirs are paramilitaries.

One would at first think that Mr. Izetbegovic was referring only to the enemy on the Serb side, who conquered seven-tenths of Bosnia-Herzegovina with the arms of the former JNA [Yugoslav People's Army]. But then we realize that the enemy is no longer in singular, we realize that he treats in the same way the rebel Serbs and the Croats, the conquerors and those who set up their own military, legal, political, economic and all other systems in the process of necessary defense and in the absence of any other system, those who offered the hand of cooperation on the first occasion—precisely in Washington—but at the same time wanted to preserve what they had achieved.

We also realize that Mr. Izetbegovic is securing his own state, republic, without giving in before the imperative of setting up the federation. He labels as parastates everything except the state he heads, and as paramilitaries all armies other than the Bosnia-Herzegovina army, including the HVO which is a legitimate part of the defense system of the Federation of Bosnia-Herzegovina. In its first step toward the confederation, that defense system established coordination with the Croatian army.

Finally, whenever Mr. Izetbegovic did not use the abbreviation of BIH, he said only Bosnia, thus showing how much he appreciates the Herzegovina party of the republic, about whose integrity he speaks all the time and cries for. Judging by all appearances, by doing that Mr. Izetbegovic closes the door on which he wants to knock. He works to his own detriment and closes himself and his supporters into his own narrow isolation, looking for the enemies where there are none.

Draft Military Law May Affect Ranking Officers

AU2803091395 Zagreb GLOBUS in Serbo-Croatian 24 Mar 95 pp 2-3

[Article by Davor Butkovic: "General Janko Bobetko Will Have To Be Retired, and President Franjo Tudjman Will Get the Rank of Supreme Commander of the Croatian Armed Forces"]

[FBIS Translated Text] If the Law on Service in the Armed Forces is adopted—and it should soon be discussed by parliament in an urgent procedure—General Janko Bobetko, the chief of the Croatian Army General Staff and the chief of the Joint Staff of the Armed Forces of Croatia and Bosnia-Herzegovina, will have to be retired immediately. The same is true of Admiral Sveto Letica, the commander of the Navy, and of General Antun Tus, the main military adviser to the president of the Republic.

If Law on Service in the Armed Forces is adopted and if the Ministry of Defense really abides by it, the Croatian Army should be deprived of the main and the most experienced of its commanders.

This draft law—which the Croatian Government submitted to the Chamber of Representatives of the Croatian Parliament on 8 March, requiring that it be adopted in an urgent procedure based on Paragraph 163 of the Chamber of Representatives Statutes—foresees that Croatian Army officers be retired at the age of 55 if they have 35 years of service. Under this law, military service would automatically end for the active army members who have met the above-mentioned criteria. Paragraph 98 of the law foresees that an active army member can exceptionally stay in service for five more years at the most after "he has met the criteria stated in Point 1 of the above-mentioned paragraph if he agrees to it and if this is in the interest of the Armed Forces." The decision to retain high-ranking officers and generals in army service after they have met the criteria for retirement is taken by the commander in chief of the Armed Forces. Since the law does not allow—either in the main text or in the explanations—any other possibility of retaining older officers on active service, the stipulation we have mentioned practically means that generals and other officers who are already 60 cannot remain on active service any longer.

Gen. Bobetko, Gen. Tus, and Adm. Letica are over 60. They should be retired as soon as the new Law on Service in the Armed Forces is adopted.

The same is true of the head of the Military Office of the President of the Republic—Lieutenant General Zvonimir Cervenko, who exceeded the limit set by the new law a long time ago.

Paragraph 98, which stipulates the conditions for the retirement of Croatian Army officers, makes a seemingly formal and boring legal text very important politically.

It is well known that the Croatian military leadership disagrees regarding the further development and the

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structure of the Armed Forces. One of the main reasons is the role high officers from the former Yugoslav People's Army [JNA] play in the Croatian Army.

A large group of new officers, promoted to their positions during the Croatian War, publicly expressed their disapproval of the old "Yugoslav" colonels and generals, so that a Vukovar hero, Brigadier General Branko Borkovic openly opposed Petar Stipetic, (who many think is the best Croatian general), because he wore the uniform of the JNA until the summer of 1991.

It must be mentioned that Major General Stipetic is the only Croatian Army general who was not promoted during the last four years, although he performed the most important command tasks during the war in Croatia; among other duties, he was also the deputy chief of the General Staff in the autumn of 1991.

Why Is General Agotic Undesirable?

Later, Stipetic became the commander of the Zagreb Military Region and is now Gen. Bobetko's deputy.

Maj. Gen. Stipetic was promised promotion to the rank of lieutenant general last autumn, but this has not happened yet, probably because Stipetic has many enemies among the officers who acquired ranks during the latest war and among Defense Ministry and Croatian Democratic Community [HDZ] officials.

Maj. Gen. Imra Agotic, the Air Force commander, is also very high on the list of politically undesirable Croatian Army generals. He has been offered a diplomatic post on several occasions. A former high official of KOS [Counterintelligence Service], he has been successful in rejecting such offers so far, probably because the duties of the Air Force commander can be performed only by a graduate of an adequate military academy. This means that Agotic has no opponent among the officers promoted during the 1991 war.

In contrast to Stipetic and Agotic, Janko Bobetko, the army general who will have to be retired immediately after the new law has been adopted, is also very popular with the officers of the Croatian Army who did not come from the JNA.

Bobetko has allegedly straightened out his conflicts with the Defense Ministry. It was claimed more than a year ago that Gen. Bobetko and Minister Susak were hardly on speaking terms, which is allegedly no longer the case.

As the chief of the Croatian Army General Staff, Gen. Bobetko is an impediment to the promotion of General Ante Roso, the present Croatian Defense Council [HVO] commander in chief and a former member of the Foreign Legion, who became a hero during the 1991 war; something that is, however, not especially esteemed of by some educated Croatian Army officers.

They claim that Roso is the new chief-designate of the General Staff, although he does not have the appropriate military education, and that he is the most prominent representative of the Herzegovina lobby in the Army.

It has to be mentioned that the most estimated Croatian Army officers who came from the JNA are not ardent supporters of Bobetko, because they do not consider him competent in his duties. They would like to see Stipetic in Bobetko's position.

On the other hand, Gen. Bobetko—regardless of the fact that neither the new nor the "Yugoslav" officers are very pleased with him as the chief of the General Staff—is very respected by the public, so that it is impossible to dismiss him.

Bobetko's retirement under the force of law—which will happen if the Law on Service in the Armed Forces is adopted—is an elegant solution for the official leadership. This solution would not affect either of the two main blocs in the army and in the Defense Ministry unduly, nor would it destroy the reputation the general enjoys in the public.

The situation with Admiral Letica, with whom some high-ranking Croatian Army officers do not want to cooperate, is similar.

Also Letica is, however, one of the high-ranking officers who are respected highly by the public. Four years ago, before the start of the war, he stated that he wanted to create a Croatian Navy. He was one of the first high-ranking officers of the former JNA to change to the Croatian side. All this has to be respected by the official leadership, so that it would be counterproductive and rude to dismiss Adm. Sveto Letica. Again, compulsory retirement would be an almost ideal solution.

New Ranks in the Croatian Army

Antun Tus withdrew from active service two and a half years ago because of an open conflict with Minister Gojko Susak over the Croatian policy toward Bosnia-Herzegovina and over the structure of the Croatian Armed Forces.

Tus does not have any real influence on the decisions passed by the president of the Republic today (although he is the president's main military adviser), but because of his professional standing and because he was the commander of the Croatian Army during the 1991 war, he is still in the way of his many opponents in the Defense Ministry, in the Army, and in the state and party leadership.

Many HDZ members would be happy if General Tus retired: The new law will practically force him to do so.

The Law on Service in the Armed Forces, which should actually regulate the conditions under which personnel will be employed by the Army and serve in the Armed Forces, has, in the present circumstances, become very important politically because of Paragraph 98 on retirement from military service.

Beside Paragraph 98 on the retirement of officers, Paragraph 9 on the prohibition of membership in political and

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union organizations can be also be interpreted in a political light. It is, however, doubtful whether this paragraph really means the exclusion of politics from the Army, because nowhere is it stated that active officers are forbidden to be members of political parties. The prohibition of membership in parties, which would contribute considerably to the elimination of politics from the Army, would only affect the HDZ, members and officials of which are also high-ranking Croatian Army officers.

When the present military and political conflicts are over, one of the consequences of the new law will be a change in the structure of the Croatian Army.

Paragraph 108 of the law defines the ranks in the Croatian Army, to which there are many changes.

Apart from those already known, the law introduces several new ranks.

The rank of brigadier general is no longer the highest rank.

After the ranks of major, lieutenant, and brigadier general, the rank of the brigadier general of the staff [stozerni brigadir] is being introduced.

The corresponding rank in the Navy will be commodore. In other words, this will be the officer with a higher rank than a war ship captain (in other army sections, the war ship captain corresponds to a brigadier) and lower than an admiral.

If such a rank had existed several months ago, Davor Domazet, the head of the military information service, would probably not have immediately become Rear Admiral Domazet, but Commodore Domazet.

The most important change in the system of ranks is the introduction of a rank above Army general. Since the beginning of the war in Croatia, the general of the army has been the highest rank in the Croatian Army. Only four officers held that rank: JNA Lt. Gen. Antun Tus, JNA Lt. Gen. Martin Spegelj, the founder of the Croatian National Guard, JNA Maj. Gen. Janko Bobetko, who retired in 1971, and Ante Roso, a member of the Foreign Legion and a hero of the Croatian war.

According to the Law on Service in the Armed Forces, a new, higher rank will be introduced soon, that of the general of the staff [stozerni general].

According to the text of the law, only persons who earned it in war can hold the rank of general of the staff.

The corresponding rank in the navy will be the rank of admiral of the staff [stozerni admiral].

A Little Bit of Operetta Now!

The general of the staff and the admiral of the staff are not the highest ranks in the Croatian Army, however.

The highest rank, or better to say the highest post, is that of the supreme commander of the armed forces [vrhovnik]!

The last sentence of Paragraph 108 of the Law on Service in the Armed Forces reads as follows: "The head of the Armed Forces of the Republic of Croatia has the title of supreme commander [vrhovnik]."

It is clear that the malicious ones from the left wing of the leadership will immediately compare him to the "poglavnik" [the official title of Pavelic, Ustasha leader during World War II], whereas the cynics from the right wing will claim that "Vrhovnik" Tudjman is too reminiscent of the Marshal [Tito].

Such reactions are inevitable, as we have convinced ourselves already many times in the last five years.

It is a pity that a seriously conceived draft law, which is really necessary in Croatia (since, as far as military service regulations are concerned, the Yugoslav law Croatia inherited is inappropriate), will boil down to two main, negative, but true interpretations.

First, that the Law on Service in the Armed Forces is a way of solving the biggest personnel and political problems in the Croatian Army, or that it is being used by the Croatian political leadership (or by a part of it) to get rid of old, "Yugoslav" generals and admirals by retiring them.

The second interpretation is that Croatia is again presenting itself as an operetta state because of certain stipulations in the above-mentioned law, especially because of the stipulation about ranks. We are laying the emphasis on "again," because this is, unfortunately, not the first case.

Exactly two years ago, some leading Croatian politicians were granted the ranks of reserve generals and brigadier generals, although they had not participated in combat operations, which the Croatian people laughed at.

And now, according to the new law, Croatia should even get a "vrhovnik"!

VOJSKA on Military Leaders, Order of Battle

94BA0206A Belgrade VOJSKA in Serbo-Croatian 18 Feb 95 p 46

[Unattributed article: "Aggression Against the Serbian Republic of Krajina"]

[FBIS Translated Text]

Northern Dalmatia

The Split Operations Zone [OZ], under command of Brigadier Ante Gotovina, covers the area of Dalmatia with its units. His chief of staff is Brigadier Luka Dzanko (former colonel in the JNA [Yugoslav People's Army] serving in Sinj). The 13th Brigade is under command of that OZ, and the 4th Guards Brigade (Split) is also stationed on its territory. There are also zonal units such

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as the scout company of the 72nd Military Police Battalion, the 40th Engineers Battalion, a mixed artillery battalion and other smaller units.

Sinj

The territory of Sinj and of the Peruca Dam is covered by the 126th Brigade of the HV [Croatian Army] from Sinj. Until recently its commander was Brigadier Rahim Ademi (an ethnic Albanian, previously a major at the Sinj garrison), but he is now chief of staff of the Gospic OZ. The brigade's deputy commander is Major Zlatko Rogulj, now probably the commander. The brigade numbers about 1900-2000 men and is made up of four regiments, a tank company, an artillery battalion, and other small units attached to the headquarters. It was demobilized and transferred to the reserves, but one regiment with means of support was sent to the Dubrovnik theater to replace a part of a unit of the 4th Guards Brigade, which was then sent to Zadar.

In the area of Peruca and Svilajnac the HV has been securing the border with the RSK [Serbian republic of Krajina] with two or three Home Guard companies belonging to the 16th Split Home Guards Regiment.

After action began in the direction of Zadar and the complications concerning the Peruca Dam, the 126th Brigade was demobilized, some of the personnel were sent to Dubrovnik to replace units sent there earlier, and the brigade was deployed on the Brdovo-Svilajnac line.

It is also worth mentioning that one of the five TsOVs (Center for Education and Training of Enlisted Men) for basic training of ground forces recruits is located in Sinj. The January contingent of recruits, organized in four or five battalions, are now being trained, and after a three-month training, they will be sent to the conscript brigades of the so-called TG [tactical group] to continue doing their period of required military service.

There is also an airfield for recreational planes in Sinj, where the presence of several recreational and agricultural planes (AN-2s and Utvas) has been recorded.

Drnis

In the broad area of Drnis, the 142d Drnis Brigade, under the command of Col. Boris Predovan, represents the strike force of the HV. The brigade was created on 1 December 1991 from four battalions of the 113th Brigade. Today the brigade consists mainly of Croats who are refugees from Drnis Opstina, and some of the personnel are from the Sibenik area. Its components include four battalions, a tank company, and a battery of 130-mm cannon, which on several occasions has shelled Knin and the vicinity from the area of Pakovo Selo. In late 1992 it was converted to a conscript brigade, that is, it received young soldiers doing their required military service, and the reservists remained only in the support arms (artillery and tanks).

Their positions in the direction of the RSK have been taken up by the Drnis Home Guard battalion, and they have been temporarily reinforced with young soldiers from the 142d Brigade. One of its characteristics is that its personnel are on the whole extremist, ready to attack Drnis, and inclined to almost daily provocations directed toward our forces.

After the attack began near Zadar, the brigade was again mobilized and took up the old positions in the direction of Drnis, and the 141st Split Brigade, which was in this are during the war, was sent to the area of Mosec.

Miljevci Plateau

The well-known Miljevci Plateau, in the hinterland of Skradin, is covered by the 113th Sibenik Brigade of the HV. The brigade is commanded by Col. Damir Krsticevic, and Davor Skugor is chief of staff. In addition to four battalions, the brigade also has an mechanized armored company and a mixed artillery battalion. It has also been "in reserve," and police from the Sibenik Police Department have been engaged on the Miljevci Plateau. The hinterland of Skradin has been secured by the Skradin Home Guards Battalion, but that brigade has now been demobilized as well and sent to the Zadar front, where it took part in the aggression against the RSK.

Zadar

The strike force in the Zadar section of the front is represented by the 112th Zadar Brigade, under command of Col. Marko Culina. The brigade has four battalions, a T-55 tank company, a ZIS 76-mm artillery battery, an engineers company, and other headquarters units. The brigade also has one battalion of draftees.

The 4th Guards Brigade, the 112th Brigade, and probably also the 134th Brigade from Biograd are taking part in the aggression along the Zadar-Benkovac axis.

The strongest is certainly the 4th Guards Brigade from Split, which is made up of professionals. The brigade commander is Col. Mirko Sundov, and the chief of staff is Maj. Milan Perkovic.

The brigade arrived in Zadar with four battalions: (1) the Split-Omis Battalion with about 300-400 men; (2) a battalion from Metkovic with about 400 men, two multiple rocket launchers, and six T-55 tanks; (3) the Imotski Battalion, referred to as the Imotski Falcons; and (4) the Makarska Battalion. At one time the brigade also included a tank company with 12-15 T-55 tanks, an artillery-rocket battalion with 152-mm howitzers, an air defense battery with 20/3 and 20/1 antiaircraft guns, "Brovinzi," 2-M Strelas, Iglas, and Bofors, and later Fagot air defense missiles were also brought in.

The strike force of that brigade is made up of the 1st and 2nd battalions, which spearheaded the attack against Islam Latinski and Islam Grcki and beyond toward Benkovac.

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Offensive operations against Zemunik and Skabrnja were probably conducted by the 112th and parts of the 143d and 159th Zadar brigades.

Rovanjska and Maslenica

Legionnaire Roso's brigade is the strike force for the attack on Rovanjska and Maslenica. Roso came to Croatia from the Foreign Legion as a lieutenant colonel, but he was promoted to the rank of major general by order of the chief of the supreme command. Roso has under his command a brigade made up exclusively of volunteers from Croatia and Herzegovina. The brigade has three battalions: the Zrinksi 1st Battalion (numbering 700-800 men), the 2d Frankopan Battalion; and the 3d battalion. The personnel of that brigade have received a high level of professional training and are well equipped. The 113th Sibenik Brigade or part of it and the special forces unit of the Croatian Ministry of Internal Affairs probably acted in concert with Gen. Roso along that axis. Before the action began, some of those forces were sent to Velebit, and they opened lateral fire from there.

The marine strike forces of the Croatian Navy [HRM], which belong to the command of the Central Adriatic, also took a direct part in that action. The main strength of the HRM consists of the St. Peter Kresimir IV missile gunboat, a RTOP-11 with RBS-15 missiles, which is at the same time the command vessel of the Croatian navy under the command of Admiral Sveto Letica. The rest of the HRM consists of two missile boats, one torpedo boat, four patrol launches, and several adapted vessels.

Lika

The area of Lika is covered by the Gospic OZ under command of Brigadier Izidor Cesnjar. Brigadier Rahim Ademi is chief of staff.

There are eight brigades and one regiment stationed in that OZ's zone of responsibility. The strike force is the 6th Guards Brigade from Gospic, which is still in the formative stage, but its nucleus is the 118th Gospic Brigade of the HV. Almost all brigades have been mobilized in that area and sent to Lika.

Aside from the 6th Guards, the 11th Rijeka Brigade is also in that area and is well equipped with artillery and tanks. According to the data, part of that brigade has been sent to the Zadar front and part to Lika.

The 138th Brigade was brought to Brinje from Delnice, while the 133d Brigade from Otocac, the 109th Brigade from Senj, and parts of the 129th, 154th, and 155th brigades of the Croatian Army were also demobilized.

Since the mobilization, parts of brigades making up the Zagreb OZ (the 101st and 148th Zagreb and certain other brigades) were also sent to this area.

Kordun and Banija

Units of the Karlovac OZ with about ten brigades of the HV are committed in Kordun and Banija.

Certainly the strongest force is the 110th Karlovac Brigade, which was entirely mobilized and brought to full combat readiness in positions on the Kupa and Korana rivers. The 120th Brigade from Sisak, the 137th from Duga Resa, the 143d from Ogulin, the 145th from Pokupsko, the 162d from Petrinja, and the 165th Sunj Brigade were also mobilized.

Units of the HV are strengthening fortifications and setting up obstacles in this area, and with artillery and armored forces they have taken up initial positions and have been carrying out provocative attacks and commando operations.

Western Slavonia

This region is covered by the Bjelovar and Osijek OZs with more than ten brigades.

The following brigades of the HV are mobilized and directed at the moment toward the region of western Slavonia:

—the 121st Brigade from Nova Gradiska,

—the 125th from Novska,

—the 127th from Virovitica,

—the 123d from Slavonska Pozega, and also a portion of the forces from Daruvar and Kutina.

A characteristic of these forces is the high representation of mechanized armor. The 2d Guards Brigade from Dugo Selo near Zagreb would also probably be committed in this part of the front.

Eastern Slavonia and Baranja

The front towards Baranja is covered by units of the Osijek OZ under command of Brigadier Djuro Decak and chief of staff Brigadier Dragutin 'Cerni' Josip.

More than 15 brigades of the HV are under the command of that OZ, and the 3d and 5th Guards Brigades (in the phase of replenishment and transformation) are also in this area.

The most important force in this area consists of the 106th Osijek, the 107th Valpovo, the 108th Slavonski Brod, and the 109th Vinkovci brigades, which have mechanized armor from company to battalion strength, and the 135th Osijek of the Croatian Army.

The 9th, 10th, and 11th Home Guards Regiments, consisting of men from Osijek and Vinkovci and refugees from Vukovar are committed on the border.

All the units have been mobilized and equipped, and they have taken up initial positions in the direction of Baranja and eastern Slavonia.

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Miletic Says Interethnic Relations Improving

AU2903102795 Skopje VECER in Macedonian 28 Mar 95 p 9

[Interview with Dragisa Miletic, leader of the Democratic Party of Serbs in Macedonia, by M. Jovanovski; place and date not given: "We Are Not Extremists"]

[FBIS Translated Text] According to Dragisa Miletic, leader of the Democratic Party of Serbs in Macedonia [The Former Yugoslav Republic of Macedonia—FYROM], ethnic relations in Macedonia are very tense. Miletic is referring to the demands made by the Albanians in Macedonia, particularly their unconstitutional initiative to open the so-called Albanian University in Tetovo. Regarding the relations between the Serbs and the Macedonians, however, Miletic says there has been a considerate decrease in negative feelings, noting that it is more noticeable among the people than in the policy conducted by the Macedonian leaders.

[Jovanovski] Does that mean that, as representatives of a political party that mainly supports the interests of the Serbs in Macedonia, you are not satisfied with the way in which the Macedonian policy is treating the Serbs in Macedonia?

[Miletic] I believe that part of the Macedonian leadership, as well as that of the media, is still trying to keep this negative aspect alive. Almost every day we hear that Serbia is endangering Macedonia; this is absolutely untrue and I say that Macedonia is not endangered by Serbia.

A Place in the Constitution

[Jovanovski] In which segment do the Serbs feel deprived of their rights in Macedonia? In other words, what, in your opinion, should be changed in the Macedonian policy so that you, as a political party, can say that the Serbs enjoy all civil rights?

[Miletic] First of all, we should be included again in the Macedonian Constitution and be educated in our native language in accordance with the right stipulated in the Constitution—that is, in preschools and primary and secondary schools. We are not asking for a university, as the Albanians did, or for anything that is against the Constitution. Moreover, we would like religious services in our native language, the return of the Serbian press that was banned, and more time on MRT [Macedonian Radio and Television], because we do not acknowledge the broadcast "Views," which our political party regards as detrimental.

[Jovanovski] The inclusion of the Serbs in the Constitution is nearly concluded. The Council for Interethnic Rights recommended that the Macedonian Parliament provide the conditions for the return of the Serbs in the Constitution, like it did for some other nationalities. The Macedonian Government has also assessed this question positively. So, do you find that this question is no longer controversial?

[Miletic] We are aware that promises for our return in the Constitution cannot be fulfilled overnight, because in amending the Constitution, others might want to be registered as a nation or the Greeks might bring up some other issues. Therefore, we know that it is not going to happen soon and we are not impatient, but until it is definitely solved, we will continue to bring up this request.

[Jovanovski] Will you be satisfied if the Serbs are registered in the Macedonian Constitution as a nationality?

[Miletic] We want to be included in the Constitution again, and we want to be treated like all the other groups. However, the question of a national minority and a nation is a bit prickly. You know that the Serbs were treated as a nation everywhere in the former Yugoslavia. So if this is incorporated into the Macedonian Constitution, it will not change anything because no one has any ideas of seceding or taking over territories.

[Jovanovski] You say that no one is thinking of seceding or endangering the Macedonian territory, but Boro Ristic, a former leader of your party, recently stated that the Serbs in Macedonia were going to form a parallel government.

[Miletic] That statement is irrelevant because it was made by a man that does not have a constituency behind him. I have personally denied it and assess it as dangerous.

View of the Party

[Jovanovski] Regarding the Serbs' demands for education in their native language, the Ministry of Education has proposed to organize education in Serbian in one primary school in Skopje. However, this proposal was not accepted.

[Miletic] Well, it was a reaction to the requests of the Kuceviste inhabitants. The reason why this proposal was not accepted by the Serbian leaders was because Kuceviste is very far from Skopje. Nevertheless, we would accept a school in the center of Skopje and one in the "Jane Sandanski" area, where several classes can be taught in Serbian.

[Jovanovski] You want to cancel the "Views" broadcast. Do you not feel that this could be a matter of disagreement among the political leadership of this country?

[Miletic] We would like this broadcast to analyze the problems of the Serbs in Macedonia, not inform what is going on in Serbia. We can read about that in the newspapers or watch it on Belgrade Television.

[Jovanovski] You are saying that you can watch Serbian Television or read Serbian newspapers, but still you are not satisfied, and in your demands for relaxing the tension in interethnic relations in this country, you insist on lifting the ban on the Serbian Press.

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[Miletic] That is correct. There is no reason why all the newspapers should not be available here. Is there something we should be afraid of? Why, for example, does Macedonia have only Soros's NASA BORBA, which is usually anti-Serbian?

[Jovanovski] Speaking of NASA BORBA, this newspaper disseminated your views on the situation in a Macedonia broadcast on Radio Kragujevac. This radio station is commonly known as a host to people like Koljevic, Karadzic, and so on.

[Miletic] Yes, and I do not see anything wrong in it. If your intention is to say that our party is a fan of the Serbian Extremists, then I am going to disappoint you. We are not ready to give up any Serbs, but at the same time we are not conducting an extremist but a peaceful policy backed by Belgrade. The commentaries that say that we are living in Kragujevac because Belgrade does not like us are false, and I will reconfirm the statement that I made to Radio Kragujevac, which is that our party is against an American presence in Macedonia.

[Jovanovski] Your party calls the Republic of Macedonia FYROM in its public addresses. Is this a sign of your loyalty to the country you live in?

[Miletic] We recently rejected using the term FYROM. Nevertheless, I will tell you that we have the right to such an attitude because we are not included in the Constitution. In order to be loyal to the state, one has to be embodied in the Constitution. However, being in favor of a peaceful policy, we have managed to solve this as well.

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Drnovsek Confers With Silajdzic in Ljubljana

LD2703223995 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 2200 GMT 27 Mar 95

[FBIS Translated Text] Haris Silajdzic, prime minister of the Republic and federation of Bosnia-Herzegovina, held talks with Slovene Prime Minister Janez Drnovsek in Ljubljana yesterday. During the hour-long cordial and open talks, they discussed the current situation in both states, the international community's attitude toward the Republic of Bosnia-Hercegovina, the peace process, and the latest proposals and initiatives.

It was agreed that a number of bilateral agreements should be signed as soon as possible—agreements on economic cooperation, land and air traffic, scientific and technical cooperation, pensions, social security, and health.

A proposal was put forward for a meeting between government delegations of the two states, headed by Prime Ministers Silajdzic and Drnovsek, to be held in Slovenia in May.

MLADINA Interviews Austrian Foreign Minister

95EN0167A Ljubljana MLADINA in Slovene 28 Feb 95 pp 22-27

[Interview with Austrian Foreign Minister Alois Mock by Miha D. Stamcar; place and date not given: "The World Is Not Perfect"]

[FBIS Translated Text] *He has been in that position since 1987, when he also assumed the duties of vice chancellor. Dr. Mock was previously the Austrian minister of education, and he became president of the European Democratic Alliance in 1983. He was always considered a politician who would help Slovenia when it became independent. In Austria, he was long believed to be one of the strongest future candidates for chancellor, but it seems that he will not get that position, because exactly one week ago, on the same day that he was visited by the new Slovene foreign minister, Zoran Thaler, he publicly acknowledged something that had been whispered about for a long time, namely that he has Parkinson's disease, which, however, is not yet keeping him from doing his job.*

[Stamcar] You are said to be a supporter of the foreign policy that was personified in Slovenia by former Foreign Minister Lojze Peterle, and yesterday you met with the new foreign minister, Zoran Thaler. Do you think that Slovene foreign policy will change substantially with the arrival of a new foreign minister?

[Mock] I have an extremely high opinion of Lojze Peterle and the foreign policy that he conducted. To be sure, I have always had a very good opinion of Slovene foreign policy. We have never had any difficulties with Slovenia's foreign policy ever since it became independent; on the contrary, it has always been a good basis for strengthening bilateral relations. It is precisely for that reason that we have always supported Slovenia. As far as Peterle is concerned, I think that he had a certain advantage that was a shortcoming a while ago, namely the fact that he had to fight for freedom and suffer. Of course, in addition to Peterle, there are also other Slovene politicians of whom I think very highly, thank God. I had a good personal relationship with Dimitrij Rupel, and I also hold your previous defense minister in high esteem. Your president is quite familiar with the international situation, and I always respect his opinion on international political developments, especially in the Balkans.

[Stamcar] We would like to hear your opinion, however, about whether the replacement of the Slovene foreign minister will also bring substantial changes in Slovene foreign policy, especially with respect to the Oglej Declaration, which was signed by the previous foreign ministers of Italy and Slovenia, Martino and Peterle.

[Mock] After my first talk with Minister Thaler, I have the impression that there is definite continuity in Slovene foreign policy, of course with different emphases, which is understandable, because every person is different and accentuates his speech differently. Continuity is important, however. As far as Oglej is concerned, it seems to me that both sides arrived at certain conclusions on the basis of previous failures. Things are changing, and I think that in the near future the two countries will come to an agreement.

[Stamcar] Austria, and also you as foreign minister, supported the Oglej document.

[Mock] Slovenia and Italy are primarily responsible for that document. We heard from both sides what kind of solutions you were advocating. We believed that the Oglej Declaration was headed in the right direction, and that is why we were surprised and disappointed that it was not fulfilled. At that time I thought that Peterle had too little support, and I thought that relations between Austria and Slovenia were so good that it would not be any catastrophe if I permitted myself to make a critical comment once again.

[Stamcar] In spite of that, Prime Minister Drnovsek criticized your statement for PROFIL magazine quite sharply.

[Mock] It was all very pleasant and friendly. If I can have my own opinion about the Oglej Declaration, Dr. Drnovsek can certainly have an opinion about my opinion.

[Stamcar] It is understandable that Austria has its own opinion about the Oglej Declaration, especially because it is a neighbor of Italy and Slovenia and at the same time also has its own minority in Italy, in southern Tyrolia, and a Slovene minority lives in Austrian Carinthia. Are any parallels among possible solutions for minority issues in the three countries possible?

[Mock] The minority issues are different, and sometimes even very different. Of course, there are certain rules that should always be respected in seeking legal solutions. In

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the first place, regardless of whether the steps are big or small, they should never be extorted. In the second place, whether the steps are big or small, and even if there is no progress at all, the internationally defined border has to be respected. And, in the third place, the same principles have to be observed. As far as southern Tyrolia is concerned, the 1964 treaty guarantees it a certain amount of autonomy. In this regard, we should not forget that for a long time southern Tyrolia was a definite area with a linguistic minority, and for some time now it has been an area where a lot of Italian-speaking people also live. Since 1964 there has been a possibility, also permitted by the Italian Constitution, for the majority to elect the governor of that minority area. I think that the situations on both sides of the Slovene-Italian border are quite different, and consequently the solutions also have to be completely different. In the solution to the minority issue in southern Tyrolia, it is above all patience that could be cited as an example. I will use as an example a situation that is completely different. Years ago I spoke with a representative of the Albanian minority in Macedonia [The Former Yugoslav Republic of Macedonia]. Ever since the times when there was a communist dictatorship in Yugoslavia, some democratic structures have been active there, and now the majority in Macedonia has to take into account the fact that the minority's parties also want to participate in elections and demand basic rights, recognition of an autonomous people within the framework of Macedonia, their own schools, a legal guarantee that the minority will have representatives in parliament, and several other things. In my opinion all these demands are justified, but politically it is extremely unintelligent to pose all of them at once, because that way they will not get anything. In fact, the majority will feel that the minority is threatening it. That is precisely why there has been great friction in Macedonia recently.

[Stamcar] It is a general European problem that is manifested through the paradox of a strengthening of regionalisms, on one hand, and a strengthening of aspirations for an all-powerful national state, on the other.

[Mock] Europe is composed of peoples and national states. There are regions in all the states; some of them are very powerful and the people who live there have a very strong sense of belonging to that region. Of course, there are also others where that self-awareness does not exist, obviously depending on historical developments.

[Stamcar] In your opinion, which are those stronger regions in Europe that can afford more self-awareness?

[Mock] They are usually regions that are part of federal states, because they allow part of the people or state to develop with all its own special characteristics. Austria is such a federal state, in which Tyrolia is one of the federal provinces, and the Tyrolians' self-awareness is very strong. The former governor of Tyrolia almost always started his speeches with "We Tyrolians will have to do such and such," and "Such and such has to happen in Austria"—which did not matter to me at all. He used to emphasize that the Tyrolians had deputies in the European Parliament. That did not bother anyone in Austria. On the other hand, no French deputy in the European Parliament will say that he is the deputy of the Ile-de-France region, for example; everyone would laugh at him. France obviously has a very centralist tradition. Regions are also slowly developing there, however. Difficulties are already occurring in connection with this, and in the future there will be even more of them. Very lively debates are going on over how much power the national state should have and how much its provinces or regions should have, but there are structures guiding those organized pressures. We have elections, and theoretically it is possible that Tyrolia will grow strong enough that for all practical purposes Vienna will no longer have control over it. That is still not the case in France; if the Bretons wanted autonomy, it would be a national catastrophe. The Romanian foreign minister told me two years ago that the Hungarians living in Romania were demanding that Hungary be their protector. He perceived this as a threat to Romanian sovereignty. When he wanted to hear my opinion, I told him that he should read our newspapers, where every month you will find at least five articles demanding that Austria be the protector of southern Tyrolia, and that does not bother anyone, because both sides recognize autonomy. We are only discussing how big and powerful that autonomy should be.

[Stamcar] We probably agree that the more powerful European states have spheres of interest, also shown through concern for their minorities in other states.

[Mock] Certainly on the basis of the all-embracing process of liberation and disassociation, the Russian influence, in spite of everything, is still very strong. On the other hand, in view of how far political and cultural ties reach, I would rather see borders not even exist anymore. It does not matter to me at all if 30 Germans come to Vienna and then dance and eat here, if they have permission to do so.

[Stamcar] What about the economic aspect of spheres of influence?

[Mock] A few years ago, a good acquaintance of mine, the Polish minister, said: "You Westerners are egotists; you say that we are all part of the EU [European Union], but you are not letting us into it." My answer to him was that it would be worst of all for the former communist countries if they were immediately admitted to the EU, because then the Germans, French, British, and others, including the Austrians, would buy them up. First of all you have to develop economically; otherwise we will colonize you. We do not want that. The EU wants a partnership, if at all possible; Polish enterprises should have offices in Berlin, and German enterprises should have offices in Krakow. Development should be at that level and the differences should be so small that no one will have the impression that he has been exploited. In

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the EC, some peoples are considerably more dominant economically than in other areas, but even in Austria we have some provinces that are economically more developed than others. Within certain limits that is not a problem, but if the differences become too large, then it can have unpleasant consequences. A certain Englishman told me that Germany seems to the English to be too powerful economically, but no one is keeping the English from being even more powerful economically themselves. A hundred and fifty years ago, they were considerably more powerful economically than the Germans.

[Stamcar] Slovenia is a very small country, and upon its separation, many people thought that it fell into the sphere of interest of Italy and Austria, or Germany, and that in practice it therefore could not be independent.

[Mock] That is stupid. Of course such a danger can arise, and perhaps in 1989 it was even possible; but even if Slovenia had been interested in that at that time, we would have prevented you. To be sure, if you defended yourselves against the Serbian Army, you would certainly have defended yourselves against us, too. One has the impression that the development of political thought, where communism reigned for 50 years, has been frozen and that in those areas people think in terms that recall the thinking of the 1930's, for instance, regarding minority issues, for example in Slovakia. The views on spheres of interest also fit within that framework.

[Stamcar] But isn't present-day reality also reminiscent of that period? We are thinking of the neo-Nazi arson in Germany, the bombing attacks in Austria....

[Mock] Similar things also happened in France as well, for instance the desecration of Jewish cemeteries. In the United States, neo-Nazis freely hold parades....

[Stamcar] Europe's tradition is considerably different from that of the United States.

[Mock] Europe has a different history. It is true, however, that many people had that terrible experience of Nazi crimes. It follows from that that the rejection of a resurgence of Nazism and concern about it are that much stronger. At the same time, it is also true that Nazism completely collapsed when it was defeated in the war that it caused itself. Unfortunately, on the other hand no one is dealing with the slaughter of several thousand Polish officers in the Soviet Union and the problem of the gulags. That is a consequence of the mostly peaceful transition from a communist dictatorship to a society with a quasi-democratic structure, a transition that was essentially positive, but that is why today someone who advocates democratic principles in those countries is no longer condemned even if 20 years ago or in 1956 in Budapest he shot at his fellow citizens on orders from the Soviet Union. That is obviously a problem of history. It is a big mistake, however, if someone makes policy without a knowledge of history.

[Stamcar] And groups that plant bombs in the name of neo-Nazism are also active in Austria.

[Mock] The police unfortunately have not yet found anyone, but they are looking for the perpetrators, and when they find them they will be punished very severely in accordance with the law. Recently a certain neo-Nazi was sentenced to 11 years in prison, even though he was not directly involved in any other crime. That is a very severe sentence, and I am glad of it. Because of me he could get a few years more. Of course, until it is finally proven that someone is advocating violence, he can advocate whatever he wants, whether I like it or not.

[Stamcar] Austria has been a member of the EU since January, and it is obviously most tied to Western Europe. Even Russia is allegedly opposing its admission to NATO, just as it is opposing the admission of Poland, Hungary, or the Czech Republic.

[Mock] The Russians do not have any say in this. Their opinion about it does not interest us. Not even the Soviet Union ever obstructed us; even though it was ideologically completely the opposite of us, they only mentioned in passing that they would not like it too much if Austria joined the EU.

[Stamcar] You aren't afraid of the Russians?

[Mock] Please! Times have changed, and the Russians have also become more sensible.

[Stamcar] Even in Chechnya?

[Mock] That is different. The events in Chechnya are very regrettable, but Chechnya is part of Russia. Although modern politics recognizes that human rights are not just an internal matter for states, Russia, in its development, has obviously not reached the level of democracy at which it would have exemplary respect for human rights.

[Stamcar] We can say, however, that Russia's opposition to the expansion of NATO is also causing difficulties for the EU.

[Mock] The world is not perfect. The Poles, however, are stating very clearly that that will not hinder them in establishing closer ties with Europe, and I think that the Russians, in their development, will also come to the realization that such demands are senseless. It is necessary to support democratic processes in Russia, and at the same time recognize that it is a large country that is also much more sensitive during a period of collapse. That should be taken into account, and at the same time criticism should be expressed loudly.

[Stamcar] How far will Europe be able to expand?

[Mock] Cyprus, Malta, Hungary, Slovakia, Poland, the Czech Republic, the Baltic states, Slovenia, Croatia, and then quite possibly Romania, Bulgaria, Bosnia, Serbia, Albania, everywhere, in the hazy future; I don't know what will happen in 600 years. I would like to know what

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will happen in 100 or 50 years. I would be interested if someone could predict what the Vienna airport would look like in 50 years, and no one can even predict that.

Economic Relations With FRY Discussed

95BA0190B Ljubljana MLADINA in Slovene 28 Feb 95 pp 28-29

[Interview with Belgrade economist Dr. Oskar Kovac by Svetlana Vasovic; place and date not given: "Economic Interest"]

[FBIS Translated Text] *Three years after the complete cooling of relations, a group of important economists from the Federal Republic of Yugoslavia [FRY] came to Slovenia last week for talks with colleagues from the European Documentation Center. In an interview with Dr. Oskar Kovac, a professor at the Belgrade Economics School, a member of several Yugoslav governments and a member of the current Yugoslav delegation to the succession group in the Geneva negotiations, we tried to determine what the future of Slovene-Serbian relations would be like.*

[Vasovic] What actually was the purpose of your meeting with the Slovene economists?

[Kovac] A discussion of various economic issues. We did not come here unprepared. We knew everyone we met with for 20 years or more, and we are dealing professionally with international economic issues and teaching about them at our schools. I myself, for example, was Mojmir Mrak's mentor; he received his doctorate under me in Belgrade. So we know each other very well, we meet constantly abroad at international symposiums, and it therefore does not seem unusual to me at all that we also saw each other in Ljubljana. I hope that we will soon meet in Belgrade as well.

[Vasovic] The theory of the profit that international trade is supposed to bring obviously does not apply to the former Yugoslav republics at present. How do you view the need to renew economic cooperation between Slovenia and the FRY in the future?

[Kovac] Our visit was not an official one, and so we do not have any kind of announcements for both countries. I think, however, that our visit created an atmosphere that will permit a gradual improvement in relations and a subsequent renewal of bilateral cooperation. That is why we all think that the most important thing now would be to establish some sort of information sections, which would ensure a link between Ljubljana and Belgrade, possibly even at the chambers of commerce. I think that that cooperation is in the interest of both economies, for several reasons. Specifically, the Yugoslav and Slovene economies are complementary, unlike the Croatian and Slovene ones, which are competitors. The Yugoslav market, with more than 10 million inhabitants, which is bigger than the Austrian and Hungarian markets, certainly cannot be considered negligible for Slovenia. On the basis of economic data, for example, we did an analysis that shows that up until 1991 the Yugoslav republics were more important to each other in terms of imports and exports than foreign countries. Each republic exported to the rest of the world approximately one-fifth of its social product, but what we sold to each other was much more important. Of course, today it is only possible to compensate partially for that trade with larger exports to the EU [European Union]. Consequently, if the measures against the FRY were eliminated or at least mitigated, then it would be reasonable to expect that a renewal of economic ties in this region would benefit everyone. Of course, for genuine cooperation, it will still be necessary to eliminate certain difficulties.

[Vasovic] Political?

[Kovac] Of course. If Slovenia continues to act so energetically against Yugoslavia in international organizations, of course there is no point in establishing any sort of "ad hoc" representations. Slovenia is afraid that even tacit acceptance of the FRY's existence would mean acknowledging Yugoslavia's continuity. In a way I understand that fear. Slovenia wanted to join the EU as quickly as possible, and without cooperation with us. Its primary goal was to separate itself from Yugoslavia as soon as possible, and thus its policy was understandable. But if it has already more or less achieved all that, why should it neglect its other, likewise legitimate, interests in the future? Yugoslavia is in the middle of the Balkans, and Slovenia's cooperation with Bulgaria, Romania, Macedonia [The Former Yugoslav Republic of Macedonia—FYROM], Greece, and other countries will sooner or later have to go through it. In the final analysis, that is also the legitimate interest of the Slovene economy.

[Vasovic] Isn't it really tragic for Serbian policy that it began the economic boycott of Slovenia, that Slovene property in the FRY was even confiscated in accordance with the dictates of that policy, and now Yugoslavia also wants somehow to renew ties with Slovenia?

[Kovac] The politicians in the FRY will know how to explain it to people beautifully. They will say that we obviously had disputes in the past, but that today everyone has recognized Slovenia, that ties between our economies are in everyone's interest, and that politics will obviously respect the will of the economy. The questions that you are raising will simply be skipped over.

[Vasovic] But aren't the unpleasant statements by Minister Jovanovic, President Milosevic, and other politicians about Slovenia as some sort of "province," and Mrs. Markovic's ideas about the renewal of socialism, an obstacle to the establishment of good relations with Slovenia?

[Kovac] They probably are, but one has to expect all that in such a tense situation.

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[Vasovic] The succession issue is even more of an obstacle to cooperation. The Slovene State Assembly, at a closed session, gave the Slovene negotiating group a mandate to conclude a separate agreement with the group of commercial banks and release Slovenia from the solidarity clause. Why is the Yugoslav delegation really opposing such an agreement?

[Kovac] Things are much more complicated. Specifically, the FRY has never accepted the opinion that the SFRY [Socialist Federal Republic of Yugoslavia] collapsed, and instead claims that the republics seceded. First of all Slovenia, then Croatia, then Macedonia, and then Bosnia and Herzegovina. That can also be proven by the dates of the secessions.

[Vasovic] The Badinter Commission decided otherwise.

[Kovac] Perhaps, but the facts support our explanation. Even the Council of Europe, in some of its documents, talks about the "secession" of Slovenia and Croatia.

[Vasovic] And how is all of this connected to the debts?

[Kovac] Those who talk about disassociation want only a division of the federal archives, the foreign exchange reserves, and the debts. In contrast to them, we who support the continuity of Yugoslavia are demanding that everything that we financed and created together since the state's establishment also be divided up. That, of course, is why we have to determine a methodology and determine who owes whom how much. According to the "disassociation" model, only the FRY owes all the others. According to the other model, the debts are distributed differently. It is apparent from this that it is not possible to agree to have just one issue, for example the issue of repaying the Yugoslav unallocated debt, separated from the problem of succession. In fact, it could happen that some state might owe another funds, and that one, if the issues were to be resolved "piecemeal," might no longer have the opportunity to force it to pay or settle the debt. For instance, if we give Slovenia the green light to settle its difficulties with commercial banks, how will the other states, including Yugoslavia, "catch" Slovenia and get it to pay the debts that it might have to those states elsewhere? Furthermore, the provisions of the New Financial Agreement [NFA] of 1988 are precise, and no one can just "drop out" of it. Most of the creditors know quite precisely who owes them and how much.

To the best of my knowledge, foreign banks do not even recognize the expression "unallocated debt." If the funds disappeared somewhere unknown inside the federation, that is our joint problem, and not theirs. On the basis of the clause on solidarity in responsibility, those banks really can demand that all the banks capable of payment, and also Slovenia....

[Vasovic] ...That Slovenia pay the entire Yugoslav debt as a punishment for "secession"?

[Kovac] No. I think that that would not be enough.... Of course I am joking (laughs). It is clear to me that Slovenia does not expect much from a division of the property, and that is why it wants to settle this issue of succession as soon as possible. It was precisely that demand, however, that caused the foreign creditors to remember the "solidarity clause," and now they want Slovenia to pay $1.9 billion in debt.

[Vasovic] Do FRY banks, together with their middlemen, have enough of the debt bought up and thereby the votes to block Slovenia's separate agreement with the commercial banks?

[Kovac] I don't know absolutely accurately, but I have heard that if the Yugoslav state sued the consortium of commercial banks, it would be a successful means of preventing such an agreement. Yugoslavia, in fact, could sue the consortium of foreign banks if it signed such a separate agreement bypassing Yugoslavia and the National Bank of Yugoslavia, as the other main contracting party, and in violation of the provisions of the financial agreement. The agreement, which is actually a very thick book, is in fact extremely precise, and does not provide for any alternatives. If a dispute arises, it will be adjudicated by a New York court in accordance with the laws of the state of New York. Furthermore, I do not believe that such an agreement could be easily reached. There are a lot of banks in the consortium convinced that their interests will be best protected by consistent adherence to the agreement, and they are waiting for the outcome of the succession negotiations.

[Vasovic] FRY banks will also play a big role in that. Perhaps you know how much of the Yugoslav debt they have bought up?

[Kovac] I do not have any absolutely exact data. One should know, however, that all the republics were buying the Yugoslav debt. It was being bought back at the end of the 1980's, and especially when the issue of succession arose. I myself read in international professional bulletins that upon the collapse of Yugoslavia Slovene and Croatian banks also started to buy that debt, in addition to Serbian banks, for the simple reason that if the foreign banks force you to repay the debt on the basis of solidarity, it is in any case better to buy it for a fifth of the price than to pay it later at the face value. And as far as I know, Slovene and Croatian banks are still buying that debt now.

[Vasovic] Doesn't it seem to you that the fact that the Serbian banks and their middlemen were buying the Yugoslav debt with the joint Yugoslav foreign exchange reserves was nevertheless different, and in a way immoral?

[Kovac] Your position would be correct only if Yugoslavia were not prepared to assume the entire unallocated debt. We are insisting on the continuity of Yugoslavia, however. We bought the debt with the

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Yugoslav reserves, and we are therefore also prepared to pay the Yugoslav debt ourselves.

[Vasovic] The entire debt?

[Kovac] The entire unallocated Yugoslav debt. For everything else, it is more or less clear who spent the money. That is also why we attributed all of Yugoslavia's unallocated debt to the FRY in the property inventories that we sent to Geneva. That is in accordance with international law. The debts are left with the state that is still in existence. If we were recognized internationally and the consortium demanded that we pay, we would naturally think that we were obligated to pay. Perhaps we would reach an agreement on rescheduling, but we would certainly consider that debt our obligation. Of course, on that basis we would then have the right to demand compensation for the debt from the other republics. That, however—and in a way I understand this—is probably unacceptable to the other republics, which no longer want to negotiate with the National Bank of Yugoslavia.

[Vasovic] Where do you see a solution, then?

[Kovac] I think that it is clear to everyone that the succession issue cannot be settled without a political settlement. How is that possible, when no one even knows yet who the parties to the succession are? If they include Bosnia, will it be the same as the one from Yugoslavia? The "practical ones" among the international mediators at the Geneva conference demanded, to be sure, that we make an inventory in the meantime, but more "just to be doing something." All of these meetings are still completely fruitless. That is why the negotiations will probably be deadlocked again at the next meeting, and then some sort of intermediate solution will be found. We are well aware that we will not completely succeed in promoting our positions. What we have achieved so far is enough for that stage. Then the issue of Yugoslavia's continuity will probably be resolved without a lot of fanfare. We do not expect that the UN will ceremonially seat us in the General Assembly, but because our quota in the IMF is waiting for us and because no one is thinking about completely expelling us, they will quietly recognize us sooner or later. We will begin to cooperate with international institutions; capital is still waiting for us in the banks; and even the UN has not expelled us, except of course from the General Assembly.

[Vasovic] And if the measures are revoked?

[Kovac] Perhaps it is not in Yugoslavia's best interests for me to tell you that now. Several issues would probably be raised then, however. Now we have not paid the IMF and others anything for three years, because the measures are still in effect for us. We tried to pay something, but it was very difficult because the foreign banks did not accept our payments. After the measures are lifted, representatives of foreign banks will probably come and will probably say something like: "OK, you haven't paid for three years; such-and-such a pile of your debts has accumulated; what will you do now?" Then we will start to negotiate, and that will probably speed up the settlement of the crisis. If the measures against Yugoslavia were eliminated, we could also start to be more cooperative, because we would have an interest in returning to the international community. Then the succession issues would be resolved more quickly.

[Vasovic] Is it possible to resolve anything else between Slovenia and the FRY at this time?

[Kovac] Many things. Not all the disputed issues have to do with succession—far from it. The issue of the Slovene property in the FRY and the Serbian and Montenegrin property in Slovenia is a matter for agreement between the two states, and work by the regular courts. Enterprises should be allowed to try to settle the disputes themselves, and then we should let the rest be settled in the courts. There are several things that the governments could resolve even today with a little good will, perhaps even through a joint commission.

[Vasovic] Wouldn't the FRY first have to recognize Bosnia and the other republics of the former Yugoslavia?

[Kovac] The demands for that recognition and for recognition of the AVNOJ [Antifascist Council for the National Liberation of Yugoslavia] borders are unrealistic even in the opinion of Western diplomats. Furthermore, I really do not know who in the FRY can do anything like that before the Serbs outside the FRY are recognized as having the right to self-determination and confederation with the FRY. As far as Slovenia is concerned, Yugoslavia would have recognized it back under Panic's government, which I was also part of, but Slovenia very improperly rejected that recognition.

Of course, Yugoslavia does not expect immediate recognition from Slovenia in the future, but it does expect some other sign of good will. That is why the ball is now in the Slovenes' court.

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Federal

BORBA on Market, Official Views on Currency

AU2903102595 Belgrade BORBA in Serbo-Croatian 23 Mar 95 p 6

[Article by B.S.: "The German Mark Price in Business Transactions—Three Dinars Yesterday"]

[FBIS Translated Text] The price of the German mark [DM] in business transactions was three dinars yesterday. Trading with money in the classical sense is not practiced any longer, but banks and companies make transactions according to the aforementioned exchange rate. What is worrying is the fact that the psychosis about a new dinar depreciation is returning, which is being warmed up by increasingly frequent rumors about an imminent devaluation. Everybody who has dinars is buying marks rather them selling them now, because it is expected that the DM will further rise.

This situation on the market is directly opposite to the official attitudes bank managers presented to Dragoslav Avramovic, the National Bank president. The Serbian television broadcast the National Bank president's statement the day before yesterday [21 March] in which he pointed out that the situation is quite good. "One of our bank managers, whom I talked to in the morning, defined the situation very well, stating: 'There is confidence in the national currency, the dinar is respected and expensive,'" Avramovic said. It seems that some bank managers, whom the president highly respects, say one thing to him, and do otherwise in practical life—as dictated by the real situation.

NASA BORBA on Necessity of Devaluation

AU2903103095 Belgrade NASA BORBA in Serbo-Croatian 23 Mar 95 p 6

[Article by Bojana Jager: "Devaluation Inevitable"]

[FBIS Translated Text] The temporary measures of the economic policy in effect by March 31, 1995 have really had temporary positive effects, since their results (the stopping of inflationary expectations and slight optimism regarding the future economic activity) melted already in February. Inflationary expectations are on the rise again, primarily activated by an increase in production costs (as many as 42 percent of companies are expecting production costs to rise), and it is definitely clear that bringing the prices down to the level of last July is an unfeasible aim. An exception is tobacco prices, but the shortage of cigarettes on the Yugoslav market shows that the economy does not support violence. These are key statements from the March issue of the KONJUNKTURNI BAROMETAR, a magazine published by the Economic Institute.

The seasonal recovery of industrial production in February could be misleading for the creators of the economic policy. Taking all elements into consideration it can be said that in the first quarter of 1995 industrial production will be on the level of average production from 1994, and that a three percent rise is possible in the second quarter, but it is certain that the aim to achieve a nine percent rise in industrial production in 1995, as was proclaimed by the federal government, will not be achieved. This means at the same time that the trend in the industrial production is definitely falling, and that this is not the "cooling of the business boom," but that long-term advantages of the 1994 price stabilization have already been exhausted.

As many as 53 percent of the companies polled stated that the main impediment to production was the lack of imported and domestic raw materials. The deficit in imported raw materials is now at the level of October 1994, when an open crisis broke out on the hard-currency market. Since more than 65 percent of companies are not planning to import anything in the next three months, the following two things are obvious: That the disproportion in the balance of payments is the most critical field in the economic policy, and second, that the economic measures taken in that field were unjustified, since their biggest effect was that they destroyed the market conditions.

Mr. Miroljub Labus therefore suggests that the following scenario be applied to the economic policy if there is really the intention to return to the market and abolish the present administrative regulations after 1 April [1995]: First of all, it is necessary to devalue the dinar, so that its black market and official prices are leveled. Its value to the German Mark [DM] should be two dinars to one mark. In order to be able to keep this exchange rate, the amount of money must not rise in the second quarter by more than three percent, which corresponds to the increase planned in production. Wages and salaries must be harmonized with the rise in productivity or they will remain at the present level in those branches in which no rise is achieved. The nominal level of the public expenditure should be kept at the level of the first quarter of 1995, when public expenditure was covered from real sources. Only after this has been achieved, can the present restrictions regarding both imports and exports be removed. In Mr. Labus' view, these measures could within three months restore the economic stability Yugoslavia had in the second quarter of 1994.

"Since the black-market DM price is already built into prices, a devaluation would not make prices rise. Naturally, its psychological effect is a problem, since it shakes the confidence the business has in the measures taken by the government and the central bank. It is therefore bad that the government and the central bank have not yet presented a firm economic program, although a new 'D day' is coming in only a few days," Labos pointed out.

Bijeljina Bank Rate: Four Dinars to German Mark

AU2803144195 Belgrade NASA BORBA in Serbo-Croatian 28 Mar 95 p 6

[Article by "D.V.": "Foreign Currency 'Shock' Comes From Bijeljina"]

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[FBIS Translated Text] NASA BORBA has learned that a "foreign currency shock" to the domestic currency has come from Bijeljina, from where large amounts of dinars have already arrived. The local bank there was the first to start buying German marks at an exchange rate of four dinars. It is interesting to note that the black market in Novi Sad was using the same exchange rate on the last day of the weekend.

The weekend was chosen because of the large number of fans who came to see the Vojvodina-Partizan soccer match, but to judge from everything, it is also the result of the Bijeljina Bank's current needs, a distinguished businessman from Novi Sad, who wished to remain anonymous, told NASA BORBA.

Serbia

Minister Says 'No Reason' To Panic About Dinar

AU2803152795 Belgrade Radio Beograd Network in Serbo-Croatian 1300 GMT 28 Mar 95

[FBIS Translated Text] The fluctuations on the hard currency black market have stirred up a veritable chaos among consumers and traders. This is what Serbian Trade and Tourism Minister Srdjan Nikolic told our reporter Dusan Vojinovic:

[Begin Nikolic recording] These are purely psychological and speculative reasons. Not a single economic measure of the Serbian Government has contributed to the German mark attaining the level that it reached this weekend. All the more so because we have checked through market inspections the transactions and the payments of daily accounts and, through the payment services, we have established that there were neither jumps nor any occurrences that could influence this. Therefore, this is only a short-term speculative measure [word indistinct] of the black market exchange rate of the German mark, which will very soon stabilize and return to normal. We will also undertake certain measures, primarily through inspection controls, and the control of cash transactions, and see how and where this could have started. The most important thing is that the money supply has not been increased, that there has been no printing of money—the primary issue does not exist in that sense—therefore, everything else is speculation and psychology, that is, psychological reasons, while the shops—following an inertia of their own—have panicked. [sentence as heard] I have heard that there have been cases of hurried inventories and the closure of shops. [words indistinct] meeting with the largest chains of shops in Belgrade, and we agreed that there should be no urgent inventories, [words indistinct] are stable since there is no reason for any rise in prices, particularly the 11 food products that significantly influence the standard of living of the population.

The general conclusion, if you insist on asking me for that, is that this increase has been absolutely speculative and psychological, and that there is no reason for the shops to panic. They will continue to work as usual and there will be enough goods in them. Wherever we find that there have been certain anomalies, we will take advantage of the authority that we have been given by the regulation on antimonopoly behavior [words indistinct] if certain goods are withdrawn from shops. Knowing what the level of supplies in Belgrade and Serbia is, we believe that this level will not be endangered by such a short-term psychological measure, which will very soon be annulled. [end recording]

Meager Funds Threaten Special-Purposes Industry

AU2903141995 Belgrade POLITIKA in Serbo-Croatian 24 Mar 95 p 9

[Article by J. Stojic: "Managers Requesting Three Times the Funds From the Budget"]

[FBIS Translated Text] Valjevo, 23 March—At today's meeting of managers and trade union presidents in the Krusik Special Purposes Production Plant in Valjevo, Serbia, organized by the Serbian Chamber of Commerce and the Trade Union of Metal Workers of the Serbian Special Purposes Production, dissatisfaction was voiced over the Federal Defense Ministry's attitude and the attitude of federal and republican authorities in Serbia regarding the solving of accumulated problems in the special purposes production branch.

It was stressed that 60 million dinars, which represent the federal budget funds earmarked for the special purposes production, does not even allow for a 20-percent engagement of its capacities. The low salaries of over 35,000 workers of the special purposes production, who work in extremely hard conditions, have put them in an extremely difficult position compared to that in other industrial branches and services.

It was concluded that the situation in the special purposes production branch, including the workers' problems, is such that the federal and republican prime ministers need to be acquainted with it.

It was also requested that a joint meeting of the federal and republican governments of Serbia and Montenegro should be held as soon as possible, and that the necessary 168 million instead of the 60 million dinars be found in all three budgets. The 168 million dinars is needed to enable the special purposes production to engage at least 30 percent of its capacities and complete the investment projects it has started. If this is not done, certain plants will have to be closed down, which will result in the loss of expert cadres, which will, in turn, have unforeseeable consequences.

The presidents of trade unions asked their employers to take a more energetic stand with the relevant authorities regarding the solving of the accumulated problems, because their demands will not interfere with Yugoslavia's economic recovery program.

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Illegal Weapons Reach 'Frightening Dimensions'

AU2803143095 Belgrade POLITIKA in Serbo-Croatian 17 Mar 95 p 15

[Report on interview with Stanisa Radak, deputy public prosecutor in Serbia, by Ivan Stojkovic; place and date not given: "Illegal Arming—A Great Threat"]

[FBIS Translated Excerpt] The illegal procurement, possession, and trade in firearms and the number of criminal offenses committed as specified by Article 33 of the Law on Weapons and Ammunition have assumed frightening dimensions, which is shown by the information that in 1994 in Serbia 23.95 percent more crimes were reported than in 1993. Citizens are arming themselves more and more, as is confirmed by the statistics, while the staff of the Interior Ministry [MUP] of the Republic of Serbia are coming across different sort of weapons, including even automatic and semiautomatic guns, machine guns, large quantities of ammunition, and even mortars and shoulder-held rocket launchers.

This was the reason for a talk with Stanisa Radak, deputy republican public prosecutor.

Prison for 964 People

"Beginning with 1990, the number of reported criminal offenses specified by Article 33 of the Law on Weapons has been growing year by year, so that in 1992 there were already 4,535 cases, in 1993 8,932, and in 1994 11,072. That this is a very serious problem is confirmed by the fact that the number of reported cases of illegal procurement, possession, or trade in weapons makes up 10 percent of all criminal charges brought by public prosecutors in Serbia. Last year a total of 120,000 criminal charges were filed by public prosecutors in Serbia. Particular concern is caused by the great increase in cases of procurement, possession, or trade in such weapons that ordinary citizens cannot obtain and do not need at all (Article 33, Paragraphs 2 and 3). Last year magistrates in Serbia brought 2,937 criminal charges regarding these sorts of weapons, among them machine guns, semiautomatic and automatic guns, explosive devices, mines, and even rocket launchers," Radak says. The deputy republican public prosecutor warns of disturbing data on crimes involving firearms, because last year there were 162 murders, 118 attempted murders, 24 cases of involuntary manslaughter, 110 of grievous bodily harm, and 60 of minor injuries. The long list of crimes committed by firearms also includes 150 cases of endangered security, 12 of coercion, 60 of extortion, 221 robberies, 336 cases of causing a general alarm, 20 cases of offenses against personal dignity and morality, 71 attacks against police officers, 24 cases of violent behavior, and 85 other kinds of crimes. Radak has also pointed out that by the organized work of the MUP and magistrates in the past three years a great number of cases have been resolved, some of them under very difficult conditions.

"The increase in the illegal possession of weapons points to the need for psychological, sociological, criminological, and scientific research aimed at ascertaining the reasons for such a great desire among citizens to possess weapons, which is becoming disturbing. Particular concern is caused by the fact that among those charged under Article 33 there are more and more adolescents, sometimes even children. Most frequently, the weapons that they get hold of are illegally possessed by their parents," Radak says.

Those Guilty—Mostly Ethnic Albanians

Of the total number of cases, 9,532 have resulted in convictions. Other cases are still to be investigated, or they are being investigated now. Of the total number of cases, the first degree courts of law have brought in verdicts in 3,599 cases, of which 3,392 or 94.24 percent have been guilty, while the others are either not guilty or have been overruled. The deputy republican public prosecutor points out that 964 people have been sentenced to imprisonment, 28.41 percent, while 2,615 have received suspended sentences. Others have been fined.

"Such a policy on crime pursued by our courts originates from the fact that in the greatest number of cases we are dealing with minor offenses (Article 33, Paragraph 1), which means the illegal possession of or trade in pistols, revolvers, hunting rifles, and gas pistols. Of the total number of reported cases, 8,135 fall under this class of criminal offenses, which is 77.47 percent. The greatest number of criminal offenses specified by Article 33 have been reported in Kosovo and Metohija, with the local public prosecutors bringing 4,797 charges, or 43.32 percent of the total. The public prosecutors in central Serbia have filed 4,776 or 43.13 percent of charges, while in Vojvodina 1,500 or 13.62 percent. The public prosecutors in the Sandzak region have filed all together 308 charges, of which 71 are in Novi Pazar and 235 in Uzice," Radak says.

According to the breakdown by nationality, 49.09 percent of the total number of persons accused are ethnic Albanians, while 41.56 are Serbs. As for the rest, the number of charges filed against them is proportional to their presence in the population. According to Radak, public prosecutors think that the crime policy is inadequate with regard to all three forms of this criminal offense and that the degree of efficiency is the lowest with the courts in Kosovo and Metohija, where last year out of 4,332 accused only 687 verdicts were brought in. However, the magistrates in this region are the severest with regard to imprisonment sentences, which were handed down in 47.41 percent of cases. [passage omitted]

SRS Dispatches Volunteers To Fight in Krajinas

AU2903093595 Belgrade NASA BORBA in Serbo-Croatian 28 Mar 95 p 2

[Article by "D.C.": "Smederevo Radicals Crossing the Drina River"]

[FBIS Translated Text] Smederevo—Owing to the latest escalation of armed clashes on the territory of the

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Serbian Krajinas, the Serbian Radical Party [SRS] from Smederevo has decided to dispatch volunteers to their "Serbian brethren."

The volunteers who have earlier already fought on this front will start out today and will stay there as long as necessary.

The Serbian Radicals have always protected the Serbian population outside Serbia, the mother country. This is particularly true today, when a type of genocide is being carried out on these people. Of course, the current authorities in the Federal Republic of Yugoslavia and the media campaign urging the necessity of a "just peace"—with which the Serbs stand to lose the most—have helped create such a situation, Radomir Vladusic-Racko, president of the Smederevo District told NASA BORBA.

Montenegro

Bulatovic Forms Personal Security Headquarters

AU2803121995 Podgorica MONITOR in Serbo-Croatian 27 Mar p 6

[Article by "S.R.": "The President's New Headquarters"]

[FBIS Translated Text] Montenegrin President Momir Bulatovic has formed a personal security headquarters. The headquarters comprises 10 policemen, and the president's current bodyguard Zoran Ulam has been appointed chief. The offices of the new headquarters are situated in the building, which also houses the president's office. The team's entire equipment has also been installed in the same building.

It is interesting to note that a special department in the Interior Ministry was heretofore in charge of the president's security and the security of the Montenegrin prime minister and Assembly chairman.

It is as yet unclear why Bulatovic has opted for separate security headquarters, but this decision implies that the president no longer trusts the department, or perhaps even the leading officials in the Montenegrin Interior Ministry.

Vojvodina

Hungarian Body Wants Reconciliation With Serbs

LD2703144495 Belgrade TANJUG in English 1412 GMT 27 Mar 95

[FBIS Transcribed Text] Subotica, March 27 (TANJUG)—The Civil Movement of Vojvodina's Hungarians, a third party in Serbia rallying ethnic Hungarians, has been formed aiming at reconciliation with the Serb people, the party president Jozsef Berecz said Monday.

Time has come for Hungarians to stop living in discord with the majority nation, a discord into which they were pushed by those who advocate territorial and personal autonomy (of ethnic Hungarians) in Serbia, Berecz told TANJUG.

'All those who promise the realization of this idea do not speak the whole truth because that kind of autonomy has not been achieved peacefully anywhere in the world,' Berecz said.

The Civil Movement of Vojvodina's Hungarians was formed last week in the town of Senta in the northern Serbian province of Vojvodina, where ethnic Hungarians account for 17 percent of the population.

Berecz said that the party's objective was to preserve the identity of ethnic Hungarians in the region, and that a memorandum would soon be formulated, proposing how to promote culture, education and informing of ethnic Hungarians.

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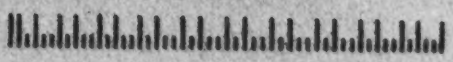

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